The 30% Residential Solar ITC Tax Credit Step Down

The federal Solar Investment Tax Credit (ITC) declines according to the following schedule:

<table>
<thead>
<tr>
<th>Date Range</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Prior to December 31, 2019</td>
<td>30%</td>
</tr>
<tr>
<td>January 1, 2020-December 31, 2020</td>
<td>26%</td>
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<tr>
<td>January 1, 2021-December 31, 2021</td>
<td>22%</td>
</tr>
<tr>
<td>January 1, 2022</td>
<td>0%*</td>
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10 Things to Know About the Residential Solar ITC:

1. The tax credit is not a refund, it is a credit. The federal government will not send you a check in the amount of the credit but rather the IRS allows you to deduct 30% of the cost of your solar system from what you owe in taxes.

2. You need tax liability (e.g. owe federal taxes) to benefit from this incentive.

3. The IRS allows a carryover of unused solar tax credits to subsequent years, up to five years. For example, if your 30% credit is worth $6,000, and you only owe $3,000 on your 2019 taxes, you can apply the remaining $3,000 to your 2020 tax liability. CALSSA recommends consumers always consult with a tax professional for tax advice.

4. Simply purchasing a residential solar system by December 31, 2019 is not enough to claim the full 30% tax credit. The IRS says the system must be “placed in service” before December 31, 2019, meaning the system is installed and capable of being used. The process of signing a contract and installing a system can sometimes take several weeks.

5. If a solar system is placed in service in 2020, you will qualify for a 26% tax credit instead of 30%.

6. You must purchase the system to claim the ITC. Consumers may not claim the tax credit for leases or Power Purchase Agreements (PPA). Paying cash or financing the system through a loan or PACE (Property Assessed Clean Energy) does allow you to claim the ITC.

7. You can claim the ITC on an energy storage system if it is charged by your home’s solar panels. This applies whether you are installing the battery along with the solar panels or if you are adding a battery to a pre-existing solar energy system.

8. California also provides rebates for home battery systems. This incentive is in addition to the tax credit but consumers need to account for the rebate when claiming the tax credit.

9. Batteries are needed for most solar energy systems to provide electricity for a home during a blackout or “Public Safety Power Shutoff” (PSPS event).

10. CALSSA recommends consumers get at least three bids from qualified contractors and check that all contractors and their salespersons are properly licensed with the Contractor State Licensing Board (CSLB). CALSSA recommends consumers do business with companies that are members of CALSSA.

Other Resources:

- Find a CALSSA member company at: [www.CALSSA.org/how-to-use-our-directory](http://www.CALSSA.org/how-to-use-our-directory)
- Check all contractors and salespersons are properly licensed by the Contractor State Licensing Board (CSLB) at [www.cslb.ca.gov](http://www.cslb.ca.gov)
- Learn more by reading SEIA’s Solar ITC factsheet on the ITC phasedown
- Protect yourself by reading the California PUC’s Solar Consumer Protection Guide

*Commercial projects remain at 10% indefinitely. An act of Congress could modify this incentive structure to extend tax credits for residential consumers beyond 2022. Several such bills have been introduced and are being actively considered.*