



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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OFFICE OF
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Section 25D -- Residential Energy Efficient Property

25.00-00 Residential Energy Efficient Property

The Honorable Herb Kohl
United States Senate
Washington, DC 20510

Attention:

Dear Senator Kohl:

I am responding to your inquiry dated December 10, 2008, on behalf of a constituent who is constructing a new home and installing solar panels. Your constituent requested information about tax credits for the solar panels.

A taxpayer can claim a credit for expenditures for solar electric property and solar water heating property that he or she installed in a new home located in the United States and used as a residence (Section 25D of the Internal Revenue Code). Solar water heating property qualifies for the credit if at least half of the energy the taxpayer uses for water heating in his or her home is derived from the sun. Solar electric property that qualifies for the credit must generate electricity for use in a taxpayer's home.

The amount of the credit is 30 percent of a taxpayer's expenditures for solar electric property and 30 percent of a taxpayer's expenditures for solar water heating property during the year. When the taxpayer makes the expenditures during construction of a home, the law treats the expenditures as made when the taxpayer originally begins to use the home.

The limit of the credit for solar water heating property is \$2000. For 2008, the limit of the credit for solar electric property was \$2,000, but the dollar amount of the credit is not limited for solar electric property expenditures made in taxable years beginning after December 31, 2008. These credits also are limited for any taxable year beginning after 2008 to the excess of the sum of the regular tax liability plus the alternative minimum

tax over the sum of certain other credits. If this limit applies to a taxpayer, he or she may be able to take the unused portion of the credit in a following year.

You also asked when we will publish information on this credit. In Publication 553, *Highlights of Tax Changes*, we provide highlights of the tax changes for the year. The 2008 version of Publication 553 will be available soon. This publication will provide more detail about changes to the tax credit for solar property that occurred in 2008.

I hope this information is helpful. If you have any questions, please contact _____, Identification Number _____, or me at _____ for further assistance.

Sincerely yours,

Charles B. Ramsey
Chief, Branch 6
Office of Associate Chief Counsel
(Passthroughs & Special Industries)