



Instructions for Form 5695

Residential Energy Credits

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Future Developments

For the latest information about developments related to Form 5695 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form5695](https://www.irs.gov/Form5695).

What's New

The Consolidated Appropriations Act, 2021:

1. Extends the residential energy efficient property credit to qualified biomass fuel property costs on line 5, and provides definitions in these instructions.
2. Extends the 26 percent residential energy efficient property credit rate to property placed in service in 2021 and 2022.
3. Disallows the nonbusiness energy property credit for a stove which uses the burning of biomass fuel on line 22a, and we deleted the related definitions from these instructions.
4. Extends the balance of the nonbusiness energy property credit to property placed in service in 2021.

Purpose of Form

Use Form 5695 to figure and take your residential energy credits. The residential energy credits are:

- The residential energy efficient property credit, and
- The nonbusiness energy property credit.

Also use Form 5695 to take any residential energy efficient property credit carryforward from 2020 or to carry the unused portion of the credit to 2022.

Who Can Take the Credits

You may be able to take the credits if you made energy saving improvements to your home located in the United States in 2021.

Home. A home is where you lived in 2021 and can include a house, houseboat, mobile home, cooperative apartment, condominium, and a manufactured home that conforms to Federal Manufactured Home Construction and Safety Standards.

You must reduce the basis of your home by the amount of any credit allowed.

Main home. Your main home is generally the home where you live most of the time. A temporary absence due to special circumstances, such as illness, education, business, military service, or vacation, won't change your main home.

Costs. For purposes of both credits, costs are treated as being paid when the original installation of the item is completed, or, in the case of costs connected with the reconstruction of your home, when your original use of the reconstructed home begins. For purposes of the residential energy efficient property credit only, costs connected with the construction of a home are treated as being paid when your original use of the constructed home begins. If less than 80% of the use of an item is for

nonbusiness purposes, only that portion of the costs that is allocable to the nonbusiness use can be used to determine either credit.



Only the residential energy efficient property credit (Part I) is available for both existing homes and homes being constructed. The nonbusiness energy property credit (Part II) is only available for existing homes.



IRS guidance issued with respect to the energy credit under section 48, such as Notice 2018-59, does not apply to the residential energy credits.

Association or cooperative costs. If you are a member of a condominium management association for a condominium you own or a tenant-stockholder in a cooperative housing corporation, you are treated as having paid your proportionate share of any costs of such association or corporation.



If you received a subsidy from a public utility for the purchase or installation of an energy conservation product and that subsidy wasn't included in your gross income, you must reduce your cost for the product by the amount of that subsidy before you figure your credit. This rule also applies if a third party (such as a contractor) receives the subsidy on your behalf.

Residential Energy Efficient Property Credit (Part I)

If you made energy saving improvements to more than one home that you used as a residence during 2021, enter the total of those costs on the applicable line(s) of one Form 5695. For qualified fuel cell property, see [Lines 7a and 7b](#), later.

You may be able to take a credit of 26% of your costs of qualified solar electric property, solar water heating property, small wind energy property, geothermal heat pump property, biomass fuel property, and fuel cell property. Include any labor costs properly allocable to the onsite preparation, assembly, or original installation of the residential energy efficient property and for piping or wiring to interconnect such property to the home. The credit amount for costs paid for qualified fuel cell property is limited to \$500 for each one-half kilowatt of capacity of the property.

Qualified solar electric property costs. Qualified solar electric property costs are costs for property that uses solar energy to generate electricity for use in your home located in the United States. No costs relating to a solar panel or other property installed as a roof (or portion thereof) will fail to qualify solely because the property constitutes a structural component of the structure on which it is installed. Some solar roofing tiles and solar roofing shingles serve the function of both traditional roofing and solar electric collectors, and thus serve functions of both solar electric generation and structural support. These solar roofing tiles and solar roofing shingles can qualify for the credit. This is in contrast to structural components such as a roof's decking or rafters that serve only a roofing or structural function and thus do not qualify for the credit. The home doesn't have to be your main home.

Qualified solar water heating property costs. Qualified solar water heating property costs are costs for property to heat water