

MAXIMIZE YOUR TAX SAVINGS: DON'T MISS THESE HOME IMPROVEMENT TAX CREDITS



When gathering documents for your income tax return, remember to consider any home improvements made during the year. There are two main credits to consider: [Energy Efficient Home Improvement Credit](#) (25C) and the [Residential Clean Energy Credit](#) (25D).

Energy Efficient Home Improvement Credit

The Energy Efficient Home Improvement Credit is one of the more common credits but can easily be missed. This credit is computed at 30% of the cost of qualifying home improvements and you can claim up to \$3,200 each year, with no lifetime limit through January 2033.

Common eligible improvements made to an existing principal residence you own or rent within the United States include:

- Efficient air conditioning units
- Furnaces and boilers
- Electric panel and circuit upgrades

Building envelope improvements must have an expected lifespan of at least five years and need to be installed at the taxpayer's principal residence owned by the taxpayer. Qualified components include new:

- Exterior doors
- Exterior windows and skylights
- Insulation and air sealing materials or systems

Per the IRS, the maximum credit you can claim each year is:

- \$1,200 for energy property costs and certain energy-efficient home improvements, with limits on doors (\$250 per door and \$500 total), windows (\$600) and home energy audits (\$150)
- \$2,000 per year for qualified heat pumps, biomass stoves or biomass boilers

Each category of improvement has its own limits, which can be found in IRS Publication 5967.

Residential Clean Energy Credit

The Residential Clean Energy Credit is less common. This credit is also computed at 30% of the qualified expenses, in addition to some labor and installation. There is no cap on this credit, except for fuel cell property.

Eligible installations include:

Solar Panels

Battery Storage Technology

Solar Water Heaters

Geothermal Heat Pump

Small Wind Energy Products

Fuel Cell Property

This credit applies to any residence a taxpayer owns within the United States, including both existing homes and new construction. Additional information can be found in [IRS Publication 5968](#).

Important Notes

Both credits are required to meet certain standards and certifications. You need to fill out Form 5695 and attach it to your annual [Form 1040](#) to claim these credits. Taking advantage of these credits not only helps reduce your energy bills, it can lower your tax liability and make a positive impact on the environment.

Be sure to gather all relevant documentation and consult IRS guidelines or your [BMF Advisor](#) to maximize your benefits.