Tax credit for solar battery storage

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Pairing battery storage with solar is a means of ditching your utility bills and becoming energy independent - but is do batteries qualify for the solar tax credit?

Absolutely! The signing of the Inflation Reduction Act put into immediate effect the 30% Residential Clean Energy Credit, which applies to the cost of solar equipment and labor including battery storage.

Yes, it was quite the ride waiting for a climate bill that would expand solar and battery incentives. But the ride is over and battery storage definitely qualifies for the 30% federal tax credit, in addition to solar, wind, geothermal heat pumps, and fuel cells.

The Inflation Reduction Act (IRA) was signed into law on August 16, 2022 and it specifically addresses the Residential Clean Energy Credit for "qualified battery storage technology expenditure" in Section 13302.

Essentially, the IRA amended the schedule for the previous tax credit so it would remain at 30% for solar and battery equipment "placed in service" after December 31, 2021 and before January 1, 2033.

Not only is the 30% Residential Clean Energy Credit effective immediately, it also applies retroactively to solar and battery storage installed any time in 2022. So if you purchased solar and/or battery in 2022, your available federal tax credit increases from 26% to 30% of the gross cost of the project.

According to the bill, the 3 kilowatt-hour minimum battery capacity took effect in 2023. Considering the average battery installation is closer to 10kWh, most batteries will easily exceed the minimum amount to qualify for the solar tax credit.

And notice that there are no maximum size, price, or tax credit qualifications. You can enjoy a 30% tax credit on as large of a battery system as you"d like - but bigger isn"t always better. Let"s see how applying the federal tax credit for battery storage works.

Beginning on January 1, 2023, standalone battery storage (batteries that aren’t connected to solar panels) also qualify for the 30% Residential Clean Energy Credit.

Standalone battery can serve as a backup energy source for homeowners that face frequent power outages due to natural disasters and Public Safety Power Shutoffs. If you face frequent, short outages, a standalone battery is a great alternative to a gas generator.

Standalone battery can also help you save money by storing electricity for when it’s more affordable to use. Through Time-of-Use (TOU) rates, the price of electricity changes throughout the day and can be

significantly more expensive during peak demand (typically morning and evening). In some instances, the price difference between peak and off-peak periods can be 25 cents per kilowatt-hour — or roughly $2.50 cents per day. Battery storage can help you shift grid usage from high- to low-cost periods and add up to substantial savings.

Although the IRS and Department of Energy have yet to issue guidance on the matter, it appears homeowners will be able to claim the Residential Clean Energy Credit for adding battery storage added to existing solar systems.

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