

Solar Incentives: Why 2021 Is the Best Year For Government Rebates, Credits, and Exemptions

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Solar Incentives: Why 2021 Is the Best Year For Government Rebates, Credits, and Exemptions

Congratulations: After doing the research and determining solar paneling is a good choice for your home, you've sifted through three or four bids and chosen a solar contractor that's right for you. Being that it's 2021, you stand to get your home powered with solar power with an entire universe of financial incentives from local, regional, and federal sources that could really make a dent in how much you will have to pay for your solar panel system installation.

Before paying any amount out of pockets, be sure you're well versed in the options at your disposal, primarily by discussing them with your experienced contractor. And it's always smart to come prepared to those conversations. Here's what you need to know to have an informed and productive conversation about solar rebates in 2021.





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2021's Best Government Incentive is the Residential Renewable Energy Tax Credit

When the tax credit was first created, there were plans to phase it out by 2022. However, in December 2020, the federal government extended the program to last another year, with the percentage dropping each year. As detailed in the federal credit's profile from the [Database of State Incentives for Renewables & Efficiency \(DSIRE\)](#), the credit allows you to claim the solar expenditure on your taxes.

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In 2021, it still applies to up to 26 percent of your installation (that's hard and soft costs combined). While such a discount is tempting, tax incentives apply during tax season—not before. Some contractors agree to take on the full cost during installation and wait for the rebate themselves. As you can see, the sooner you plan to install solar energy, the higher percentage you can take advantage of:

- 26 percent for systems placed in service after Dec. 31, 2019 and before Jan. 1, 2023
- 22 percent for systems placed in service after Dec. 31, 2022 and before Jan. 1, 2024

DSIRE lists out 28 federal financial incentives that specifically benefit residential homeowners looking to improve their lot with some solar power. Whatever the case, it's important to have a clear understanding of how this and other incentives will apply to your present and future solar panel system costs—and your electric bill with solar panels.

Solar Rebates and Financial Incentives in 2021

We at Modernize have reported on what solar panel system installations look like in states ranging from [Arizona](#) and [California](#) to [Massachusetts](#) and [New Jersey](#). Check the DSIRE database for your own state to see what's in store for you (most states sport close to 100, if not more, incentives).

To prepare you for some research, let's take a look at some examples to familiarize you with the best way to assess these credits and rebates and apply them to your own financial situation.

Arizona's Residential Solar and Wind Energy Systems Tax Credit

With some of the sunniest cities in the country, Arizona has embraced solar energy. With this tax credit, Arizona homeowners can get up to a \$1,000 credit per residence per year, available to taxpayers who install solar panels for their houses. More specifically, you get 25 percent back on your purchase in the form of a tax credit, up to \$1,000. So if your purchase was \$4,000, a quarter of that would come back to you.

Eligible renewable energies:

- Solar domestic water heating systems
- Solar swimming pool and spa heating systems
- Photovoltaic systems, phones and street lights
- Passive solar building systems (trombe walls, thermal mass, etc.)
- Solar daylighting systems (excluding conventional skylights)
- Wind turbines and pumps powered by wind.

Other state incentives for solar power installation include the Solar Equipment Sales Tax Exemption and the Energy Equipment Property Tax Exemption.

Check out the fine print at [DSIRE's profile for the Residential Solar and Wind Energy Systems Tax Credit](#) and [learn more about Arizona solar](#).

California's Property Tax Exclusion for Solar Energy Systems

California ranks as the top state in the nation for solar energy, and with all the rebates and incentives available to homeowners, it makes sense. Not only has the price of panels dropped 45 percent over the last five years, according to the Solar Energy Industries Association, but the state's [Solar Energy System Property Tax Exclusion](#) can save homeowners loads of cash on their property taxes. With this program, the owners of any new home solar installation, or new home build including a solar panel system, will see a freeze on their property taxes until the end of 2024.

Active solar energy systems can be used on:

- Domestic, recreational, therapeutic or service water heating
- Space conditioning
- Production of electricity
- Process heat
- Solar mechanical energy

However, there are exemptions to the program:

- Solar swimming pool heaters
- Hot tub heaters
- Passive energy systems
- Wind energy systems

Other state incentives for solar power installation include the Self-Generation Incentive Program and Single-Family Affordable Solar Housing. Local municipalities in California are also providing incentives to their residents, such as San Francisco's [GoSolarSF](#) program and Sacramento's [SMUD solar rebate program](#).

Check out all the California solar incentives at [DSIRE](#) and [learn more about California solar](#).

Massachusetts' Residential New Construction Program

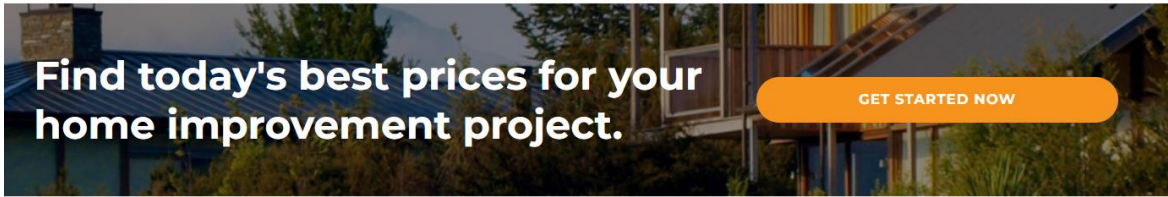
Since 2014, home builders in Massachusetts could receive up to \$4,500 in financial incentives if their constructed home met energy-efficient features that made it "more efficient than the typical home in Massachusetts." There are three tiers of "improvement" that dictate how much the home builders will receive in incentives:

- Tier I (15 percent improvement): \$750
- Tier II (30 percent improvement): \$1,250
- Tier III (45 percent improvement): \$4,500

Another incentive? Homes built with energy-efficient features use up to 30 percent less energy. There are other state incentives, including the Solar Massachusetts Renewable Target Program.

Check out the fine print at [DSIRE's profile for the Residential New Construction Program](#) and [learn more about Massachusetts solar](#).

There are hundreds of incentives spread over each and every single state, so you should definitely take a moment to scroll through yours. But like we shared before (and share often), it's wise not to go at it alone. Share what you find with your contractor (or a friend or a family member). And ask questions. Ask lots of questions. There are requirements and bureaucratic obstacles built into these incentives, just like in any other program. Consult those with experience to be sure you get the most out of these programs and that you're putting in as little as possible of your own hard-earned cash.



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