## Residential Energy Credit

Attach to Form 1040. See Instructions on back. For Paperwork Reduction Act Notice, see Instructions on back.

### Part I: Fill in your energy conservation costs (but do not include repair or maintenance costs).

1. **Was your principal residence substantially completed before April 20, 1977? (See instructions)**
   - **Yes**
   - **No**

   **Note:** You MUST answer this question. Failure to do so will delay the processing of your return. If you checked the "No" box, you CANNOT claim an energy credit under Part I and you should not fill in lines 2a through 12 of this form.

2. **Insulation**
   - 2a

3. **Storm (or thermal) windows or doors**
   - 2b

4. **Caulking or weatherstripping**
   - 2c

5. **A replacement burner for your existing furnace that reduces fuel use**
   - 2d

6. **A device for modifying flue openings to make a heating system more efficient**
   - 2e

7. **An electrical or mechanical furnace ignition system that replaces a gas pilot light**
   - 2f

8. **A thermostat with an automatic setback**
   - 2g

9. **A meter that shows the cost of energy used**
   - 2h

10. **Total (add lines 2a through 2h).**
   - 2

11. **Enter the part of expenditures made from nontaxable government grants and subsidized financing.**
   - 4

12. **Subtract line 4 from line 3.**
   - 5

13. **Maximum amount of cost on which credit can be figured.**
   - 6

   - 7

15. **Subtract line 7 from line 6. If line 7 exceeds line 6, enter zero here and on line 12.**
   - 8

16. **Enter the nontaxable grants and subsidized financing shown on line 4 of this form.**
   - 9

17. **Subtract line 9 from line 8. If zero or less, do not complete the rest of Part I.**
   - 10

18. **Enter the amount on line 5 or line 10, whichever is less.**
   - 11

19. **Enter 15% of line 11 here and include in amount on line 23 below.**
   - 12

### Part II: Fill in your renewable energy source costs (but do not include repair or maintenance costs).

20. **Solar**
   - 13a

21. **Geothermal**
   - 13b

22. **Wind**
   - 13c

23. **Total**
   - 13d

24. **Enter the part of expenditures made from nontaxable government grants and subsidized financing.**
   - 14

25. **Subtract line 14 from line 13d.**
   - 15

26. **Maximum amount of cost on which the credit can be figured.**
   - 16

27. **Enter the total renewable energy source costs for this residence. Add line 5 of your 1978 Form 5695, line 9 of your 1979 and 1980 Forms 5695, and line 13d of your 1981, 1982, 1983, and 1984 Forms 5695.**
   - 17

28. **Subtract line 17 from line 16. If line 17 exceeds line 16, enter zero here and on line 22.**
   - 18

29. **Enter the nontaxable grants and subsidized financing shown on line 14 of this form.**
   - 19

30. **Subtract line 19 from line 18. If zero or less, do not complete the rest of Part II.**
   - 20

31. **Enter the amount on line 15 or line 20, whichever is less.**
   - 21

32. **Enter 40% of line 21 here and include in amount on line 23 below.**
   - 22

### Part III: Fill in this part to figure the limitation.

33. **Add lines 12 and 22. If less than $10, enter zero.**
   - 23

34. **Enter your energy credit carryover from a previous tax year. Caution—Do not make an entry on this line if your 1984 Form 1040, line 49, showed an amount of more than zero.**
   - 24

35. **Add lines 23 and 24.**
   - 25

36. **Enter the amount of tax shown on Form 1040, line 40.**
   - 26

37. **Add lines 41, 42, and 44 from Form 1040 and enter the total.**
   - 27

38. **Subtract line 27 from line 26. If zero or less, enter zero.**
   - 28

39. **Residential energy credit. Enter the amount on line 25 or line 28, whichever is less. If less than $10, enter zero. Also, enter this amount on Form 1040, line 43. Complete Part IV below if this line is less than line 25.**
   - 29

### Part IV: Fill in this part to figure your carryover to 1986 (complete only if line 29 is less than line 25).

40. **Enter amount from Part III, line 25.**
   - 30

41. **Enter amount from Part III, line 29.**
   - 31

42. **Credit carryover to 1986 (subtract line 31 from line 30).**
   - 32
Examples of solar energy items that may qualify include:
- collectors;
- rockbeds;
- heat exchangers; and
- solar panels installed on roofs (including those installed as a roof or part of a roof).

An example of an item that uses wind energy is a windmill that produces energy in any form (usually electricity) for your residence.

Geothermal energy property expenditures must be made in connection with a "geothermal deposit." A geothermal deposit is one having a temperature exceeding 50 degrees Celsius (122 degrees Fahrenheit) as measured at the wellhead or in the case of a natural hot spring (where no well is drilled), at the intake to the distribution system. Generally, the qualifying geothermal resources that are economically recoverable are located in states west of the Rocky Mountains (except for geothermal springs located in Arkansas).

To take the credit for a renewable energy source item, you must:
- be the first one to use the item; and
- expect it to last at least 5 years.

For renewable energy source items, you may not claim more than $4,000 ($10,000 x 40%) accumulated credit for each principal residence.

What Items Are NOT Eligible for the Energy Credit?—Do not take credit for:
- carpeting;
- drapes;
- wood paneling;
- wood or peat-burning stoves;
- hydrogen fueled residential equipment;
- siding for the outside of your residence;
- heat pumps (both air and water);
- fluorescent replacement lighting systems;
- replacement boilers and furnaces; and
- swimming pools used to store energy.

Federal, State, or Local Government Nontaxable Grants and Subsidized Financing.—Qualified expenditures financed with nontaxable Federal, state, or local government grants or credits cannot be used to figure the energy credit. Also, if Federal, state, or local government programs provide subsidized financing for any part of qualified expenditures, that part may not be used to figure the energy credit. You must reduce the expenditure limits on energy conservation and renewable energy source property for a dwelling by the part of expenditures financed by Federal, state, or local government subsidized energy financing, as well as by the amount of nontaxable Federal, state, or local government grants used to purchase conservation or renewable energy source property.

Figuring the Credit for More Than One Principal Residence.—You can take the maximum credit possible for all residences you live in. If you used all of your credit for one residence in a prior year and then moved, you may take the maximum credit on your next residence. If you are claiming energy conservation costs, your new principal residence had to be substantially completed before April 20, 1977.

To figure your 1985 energy credit for more than one principal residence:

- Fill out Part I or II on a separate Form 5695 for each principal residence;
- Enter the total of all parts on line 23 of one of the forms;
- In the space above line 23, write "More than one principal residence"; and
- Attach all forms to your return.

Caution: You should keep a copy of each Form 5695 that you file for your records. For example, if you sell your principal residence, you will need to know the amount of the credit claimed in prior tax years. If the items for which you took the credit increased the basis of your principal residence, you must reduce the basis by the credit you took.

If the Credit Is More Than Your Tax.—If your energy credit for this year is more than your tax minus certain other credits, you may carry over the excess energy credit to 1986. See A Change You Should Note.

Specific Instructions
Part I, Line 1.—For energy conservation items to qualify, your principal residence must have been substantially completed before April 20, 1977. A dwelling unit is considered substantially completed when it can be used as a personal residence even though minor items remain unfinished.

Lines 2a through 2h.—Enter your energy conservation costs (including expenditures made with nontaxable government grants and subsidized financing) only for this tax year. Count the cost of the item and its installation in or on your principal residence. Do not include the cost of repairs or maintenance for energy conservation items.

Line 4.—Enter the amount of nontaxable government grants and subsidized financing used to purchase the energy items on lines 2a through 2h. If you do not know the amount, check with the government agency that gave you the grant or subsidized financing.

Line 7.—Enter your total energy conservation costs from 1978, 1979, 1980, 1981, 1982, and 1983 for this principal residence. If your total costs from these years exceed $2,000, you may claim an additional credit on this residence. If you had energy conservation costs in the previous tax year but did not take a credit because it was less than $10, enter zero.

Line 9.—Enter the nontaxable government grants and subsidized financing from line 4 that you received under Federal, state, or local programs to purchase energy items. You must use the amounts received under these programs to reduce the maximum amount of cost used to figure the credit. Line 7 includes the nontaxable government grants and subsidized financing you received in prior years.

Part II, Lines 1a through 1d.—Enter your renewable energy source costs (including expenditures made with nontaxable government grants and subsidized financing) only for this tax year. Do not include the cost of repairs or maintenance for renewable energy source items.

Line 14.—See Part I, line 4 for an explanation.

Line 17.—Enter your total renewable energy source costs from 1978, 1979, 1980, 1981, 1982, and 1983, and any prior years. If your total costs from these years exceed $10,000, you may not claim any additional credit on this residence. If you had renewable energy source costs in the previous tax year but did not take a credit because it was less than $10, enter zero.

Line 19.—Enter the nontaxable government grants and subsidized financing from line 14 that you received under Federal, state, or local programs to purchase energy items. You must use the amounts received under these programs to reduce the maximum amount of cost used to figure the credit. Line 17 includes the nontaxable government grants and subsidized financing you received in prior years.

Part III, Line 24.—Generally, your energy credit carryover will be computed on your prior year Form 5695, Part IV. Exception—If the alternative minimum tax is applied to your credit.

Publication 903, Alternative Minimum Tax.

Part IV.—Complete this part only if line 29 is less than line 25. You can carry over the amount entered on line 32 to your next tax year.