



UNDERSTANDING THE
**SOUTH CAROLINA &
FEDERAL TAX INCENTIVES**
FOR RESIDENTIAL GEOTHERMAL
HEAT PUMP SYSTEMS

WaterFurnace
Smarter from the Ground Up™



South Carolina Tax Credit

In early 2016, South Carolina signed into law a 25% state tax credit to any individual or business that purchases and installs geothermal machinery and equipment. The law takes effect retroactively to Jan. 1, 2016 and defines eligible equipment as “any machinery and equipment for use at a taxpayer’s residence that:

- Is a heat pump that uses the ground or groundwater as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure; or
- Uses the internal heat of the earth as a substitute for traditional energy for water heating or active space heating or cooling; and
- On the date of installation, meets or exceeds applicable federal ENERGY STAR requirements.”

The law allows a tax credit against the income tax liability of a taxpayer equal to 25% of the costs incurred by the taxpayer in the purchase and installation of geothermal machinery in or on a facility in South Carolina and owned by the taxpayer. The amount of the credit in any year may not exceed \$3500 for each facility or 50% of the taxpayer’s tax liability for that taxable year, whichever is less. If the credit amount exceeds \$3500, the taxpayer may carry forward the excess for up to 10 years.

This state tax credit is available in addition to the 30% uncapped federal tax credit that’s available through 2032.

The Energy Credit

In August 2022, the 30% tax credit for geothermal heat pump installations was extended through 2032 and can be retroactively applied to installations “placed in service” on January 1, 2022 or later. Property is usually considered to be placed in service when installation is complete and equipment is ready for use. However, if the system is part of the construction or renovation of a house, it’s considered placed in service when the taxpayer takes residence in the house. To save the most on your installation, you’ll want to act quickly—this credit will drop to 26% in 2033 and 22% in 2034 before expiring altogether.

- 30% of total system cost in 2022 through 2032
- 26% of total system cost in 2033
- 22% of total system cost in 2034
- No limit to credit amount
- Can be used to offset alternative minimum tax (AMT)
- Can be used in more than one year
- Can be combined with solar and wind tax credits
- Can be combined with energy efficiency upgrade credits



30%
THROUGH
2032

26%
THROUGH
2033

22%
THROUGH
2034

Act now
for the most
savings!



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