



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!



visit us at [waterfurnace.com](http://waterfurnace.com)

The information contained in this publication is for general information only. This guide is not an authority that can be cited in response to an enforcement action or in litigation. The information is provided with the understanding that WaterFurnace is not rendering legal, accounting, tax, or other professional advice. As such, it should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers.

While we have made every attempt to ensure that the information contained in this publication has been obtained from reliable sources, WaterFurnace is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information is provided “as is”, with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability and fitness for a particular purpose. In no event will WaterFurnace, its related partnerships or corporations, or the partners, agents or employees thereof be liable to you or anyone else for any decision made or action taken in reliance on the information in this publication or for any consequential, special or similar damages, even if advised of the possibility of such damages. WaterFurnace International, Inc., 9000 Conservation Way, Fort Wayne, IN 46809-9794. WaterFurnace has a policy of continual product research and development and reserves the right to change design and specifications without notice. ©2022 WaterFurnace International, Inc.