



Information Related Internal Revenue Code Section 25D

THIS SUMMARY DOES NOT CONSTITUTE TAX OR LEGAL ADVICE FROM TESLA TO ANY THIRD PARTY. TESLA STRONGLY ENCOURAGES TAXPAYERS TO CONSULT A QUALIFIED TAX ADVISOR TO DETERMINE IF THEIR PARTICULAR PROJECT SATISFIES THE REQUIREMENTS OF THE INTERNAL REVENUE CODE TO QUALIFY FOR TAX CREDITS.

Internal Revenue Code (“IRC”) section 25D allows a credit for certain qualified residential clean energy expenditures if a taxpayer meets the requirements of IRC section 25D, including that such expenditures must relate to certain types of specifically enumerated property. For tax years beginning in or before 2022, IRC section 25D allowed a credit for, among other things, “solar electric property expenditures.” Former IRC section 25D did not, however, specifically refer to battery storage technology expenditures. Section 25D defines the term “solar electric property expenditures” to mean an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.

In 2022, Congress expanded former IRC section 25D to allow a credit for “qualified battery storage technology” expenditures for tax years beginning after 2022. Qualified battery storage technology is defined as an expenditure for battery storage technology which is installed in connection with a dwelling unit located in the United States and used as a residence by the taxpayer and has a capacity of not less than 3 kilowatt hours.

Tesla understands that Powerwall 2 is qualified battery storage technology property under this definition when it is installed in connection with a dwelling unit located in the United States and used as a residence by the taxpayer and because it has a capacity of not less than 3 kilowatt hours.

In 2018, the Internal Revenue Service issued a Private Letter Ruling 2018-09-003 (Mar. 2, 2018) (the “PLR”) which held, in pertinent part, that:

- (i) The taxpayer’s “battery” was a “qualified solar electric property expenditure” within the meaning of IRC section 25D(d)(2) when the taxpayer installed it as a component part of a “solar energy system,” and the battery functioned solely as an energy storage for the energy produced by the solar energy system and thus, the taxpayer included the battery’s full cost as a qualified solar electric property expenditure; and
- (ii) The battery cost remained a “qualified solar electric property expenditure” when installed in a taxable year after the taxable year in which the installation of the other solar energy system components were completed.

The rulings in the PLR indicate that in certain circumstances residential battery storage technology, such as Powerwall, may qualify as solar electric property expenditures under the rules in effect for tax years beginning in or before 2022.

The PLR and the holdings reflected therein are based solely on the specific facts provided by the requesting taxpayer. As the PLR also states, it is directed only to the taxpayer who requested it, and as IRC section 6110(k)(3) provides, the PLR may not be used or cited as precedent by another taxpayer.

This information is provided solely for informational purposes and should not be relied on for any other purpose, including but not limited to U.S. federal income tax filings. Tesla is not a tax advisor and does not provide tax advice. Customers should contact their qualified tax advisor to understand the eligibility of their Powerwall for any tax benefits.