



## A HOMEOWNER'S GUIDE TO UNDERSTANDING THE **ENERGY EFFICIENCY TAX CREDITS**

Compliments of

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# GOOD NEWS HOMEOWNERS:

## GET PAID FOR MAKING YOUR HOME MORE ENERGY EFFICIENT!






### Rewarding Federal Tax Credits for Energy Efficient Home Improvements



On February 17, 2009, President Obama signed a stimulus bill (The American Recovery and Reinvestment Act of 2009) that made some significant changes to the energy efficiency tax credits. That means improving your home with qualifying energy efficient products in 2009 or 2010 can save you money by helping to lower home energy consumption and costs, AND it will help pay for itself through the tax credit incentive.

### Tax Credit Summary:

If you purchase and install specific products, such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes, you can receive a tax credit for 30% of the cost, up to \$1,500, for improvements "placed in service" starting January 1, 2009 through December 31, 2010. The highlights are:

-  The tax credits that were previously effective for 2009, have been extended to 2010 as well.
-  The tax credit has been raised from 10% to 30%. The tax credits that were for a specific dollar amount (ex. \$300 for a CAC), have been converted to 30% of the cost.
-  The maximum credit has been raised from \$500 to \$1500 for the two years (2009-2010).
-  The \$1,500 tax credit is a total combined credit for all tax years (2009 & 2010) for each tax return filed. Basically you can spend up to \$5,000 during this 2 year period on a single or multiple improvements, and get 30% or \$1,500\* back as a tax credit. However, some improvements such as geothermal heat pumps, solar water heaters, and solar panels are not subject to the \$1,500 maximum.
-  The \$200 cap on windows has been removed, but the requirements for windows have been increased significantly.

## Qualifying Improvement Categories:

Tax credits are available at 30% of the cost of materials<sup>1</sup>, up to \$1,500<sup>2</sup>, in 2009 & 2010 for existing homes only including:

### Windows and Doors:

Exterior Windows & Skylights with U factor  $\leq 0.30$  and SHGC  $\leq 0.30$

Storm Windows must meet IECC<sup>3</sup> in combination with the exterior window over which it is installed, for the applicable climate zone (see Manufacturers Certification Statement<sup>4</sup> which will list classes of exterior window options (single pane, clear glass, double pane, low-E coating, etc.) that a product may be combined with to be eligible in specific climate zones.

Exterior Doors (including eligible garage doors) with U factor  $\leq 0.30$  and SHGC  $\leq 0.30$

Storm Doors in combination with a wood door assigned a default U-factor by the IECC<sup>3</sup>, and does not exceed the default U-factor requirement assigned to such combination by the IECC

### Insulation:

Insulation must meet 2009 IECC & Amendments.

For insulation to qualify, its primary purpose must be to insulate. (Example: vapor retarders are covered, insulated siding does not qualify). Insulation must be expected to last 5 years OR have a 2 year warranty



### Roofing:

Metal and Asphalt Roofs must be ENERGY STAR<sup>®</sup> qualified. Roofing must be expected to last 5 years OR have a 2 year warranty

### HVAC:

Central A/C: Split Systems: EER  $\geq 13$ , SEER  $\geq 16$  or Package Systems: EER  $\geq 12$ , SEER  $\geq 14$

Air Source Heat Pumps: Split Systems: HSPF  $\geq 8.5$ , EER  $\geq 12.5$ , SEER  $\geq 15$  or Package Systems: HSPF  $\geq 8$ , EER  $\geq 12$ , SEER  $\geq 14$

Natural Gas or Propane Furnace: AFUE  $\geq 95$

Oil Furnace: AFUE  $\geq 90$

Gas, Propane, or Oil Hot Water Boiler: AFUE  $\geq 90$

Advanced Main Air Circulating Fan: No more than 2% of furnace total energy use

### Water Heaters (non-solar):

Gas, Oil or Propane Water Heaters: Energy Factor  $\geq 0.82$  or a thermal efficiency of at least 90%.

Electric Heat Pump Water Heater: Same criteria as ENERGY STAR<sup>®</sup>: Energy Factor  $\geq 2.0$

### Other Eligible Products:

BioMass Stoves, Geothermal Heat Pumps, Solar Panels, Solar Water Heater, Small Wind Energy Systems and Fuel Cells

For more specific details about tax credits for these products please refer to [www.energystar.gov/taxcredits](http://www.energystar.gov/taxcredits).

# IT'S EASY TO CLAIM YOUR TAX CREDIT...

When establishing your eligibility to claim a Tax Credit\*, please be sure to do the following to ensure accuracy:

1. Purchase and install qualifying products beginning January 1, 2009 through December 31, 2010 and meet requirements outlined in the Federal Tax Code.
2. Request an invoice demonstrating the cost breakout of the product components from your contractor.
3. Retain the contractor invoice, product performance (NFRC/ENERGY STAR®) labels and the Manufacturer's Certificate for your IRS records. You are not required to provide this documentation to the IRS, but you will be required to present it if audited.
4. Claim the tax credit associated with your qualifying purchase in the tax year 2009 and/or 2010 on your Federal tax filing forms.

## About Tax Credits:

### A Tax Credit... Better than a Tax Deduction

A tax credit is generally more valuable than an equivalent tax deduction because a tax credit reduces tax dollar-for-dollar, while a deduction only removes a percentage of the tax that is owed. With the tax credit, you can itemize qualifying purchases on your federal income tax form, which will lower the total amount of tax you owe the government.

<sup>1</sup>For windows, doors, insulation and roofing, installation costs are NOT covered by the tax credit. The cost must exclude the cost of onsite preparation, assembly, original installation labor, other components or sales tax. For HVAC and water heaters installations costs ARE COVERED. However, the law specifies installation costs include: "expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property."

<sup>2</sup>Subject to a \$1,500 maximum per homeowner for all improvements combined

<sup>3</sup>Either the 2001 Supplement of the 2000 International Energy Conservation Code or the 2004 Supplement of the 2003 International Energy Conservation Code.

<sup>4</sup>A Manufacturer's Certification is a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit. The IRS encourages manufacturers to provide these Certifications on their website to facilitate identification of qualified products. Taxpayers must keep a copy of the certification statement for their records, but do not have to submit a copy with their tax return.

\*The information provided is the best available information and is a partial summary of the revisions to the federal tax code (U.S. Code Title 26, Section 25C) as updated by the American Recovery and Reinvestment Act of 2009. Taxpayers should check with the IRS regarding updates to the IRS interim guidance Notice 2006-26 for further details on the tax credit. Check the IRS website for more details ([www.irs.gov](http://www.irs.gov)). The issuer of this pamphlet bears no responsibility in the validation of obtaining the tax credit. Please consult with a professional tax advisor or the IRS for more information.

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**NOTE:** Not all ENERGY STAR® products will qualify for the tax credit. To review ENERGY STAR® criteria visit [www.energystar.com/taxcredits](http://www.energystar.com/taxcredits)