



Residential Energy Credits

1.

With the passage of President Obama's Economic Stimulus Bill, homeowners may be eligible for a tax credit if they purchase certain types of heating, ventilation and air conditioning (HVAC) systems, water heating equipment, or make other energy-related improvements to their homes between January 1, 2009 and December 31, 2010

For qualified improvements, homeowners may be able to claim tax credits equal to 30 percent of the installed costs (up to \$1,500). The new tax credits are retroactive to January 1, 2009 and expire on December 31, 2010. The \$1,500 limit is for all improvements made during the two-year term, rather than \$1,500 each year.

The 2009 Act extends the credit through December 31, 2010, raises the maximum credit allowable to \$1,500 and revises some of the standards for qualifying property.

The following requirements must be met to receive the credit (up to \$1,500 total) for energy-efficient improvements on a taxpayer's principal U.S. residence:

Credit of 30% of the cost of energy-efficient building envelope components that meet criteria established by the 2000 International Energy Conservation Code. These consist of insulation materials or systems that reduce heat loss and/or gain; exterior windows (including skylights); exterior doors; certain metal roofs with pigmented coatings; asphalt roofs with cooling granules that meet ENERGY STAR requirements designed to reduce heat gain. In addition, the components must be expected to last for at least five years.

Credit of 30% of the cost of residential energy property expenses for:

Energy-efficient building property (electric-heat-pump water heater; electric heat pump; central air conditioner; natural gas, propane or oil water heater; or a stove burning biomass fuel to heat or provide hot water to a taxpayer's U.S. residence)

Natural gas, propane or oil furnace or hot water boiler

Advanced main air circulating fan

2.

Purchase of solar, fuel-cell, wind energy & geothermal property

The 2008 Act also extends the credit for the purchase of residential energy-efficient property so that it is available for property placed in service after December 31, 2008 and before January 1, 2017.

For years beginning after December 31, 2008 the annual credit for the purchase of residential energy-efficient property is equal to the sum of the following:

1. 30% of the amount paid for qualified solar-electric property.;
2. 30% of the amount paid for qualified solar water-heating property
3. 30% of the amount paid for qualified fuel-cell property, up to a maximum credit of \$500 for each .5 kilowatt of capacity;
4. 30% of the amount paid for qualified small wind-energy property,
5. 30% of the amount paid for qualified geothermal heat-pump property,

Installation costs are included as part of the “amount paid.” Also, “qualified” solar water-heating property is required to meet the certification of the Solar Rating and Certification Corporation or comparable entity endorsed by the state where the property is installed.

For tax years on or before December 31, 2007, the credit rate was 10%. Also, a \$2,000 credit limitation applied to items (1), (2) and (5) above. A \$4,000 credit applied to item (4) above. For tax years beginning after December 31, 2008, the Act removes the \$2,000 and \$4,000 credit limitations. The Act also increased the percentage rate of property cost in calculating the credit. For tax years beginning after Dec. 31, 2009, the credit can be claimed against both regular tax and AMT. Any excess credit is carried to the following tax year and added to the credit allowable for that year.



To qualify: for the equipment in (1), (2), (4) and (5) above, the property must be installed in the taxpayer’s U.S. residence (including a vacation home located in the United States). The qualified fuel-cell property in (3) above must be installed in a taxpayer’s principal U.S. residence. There are specific energy standards that must be achieved in order for the property to qualify for the credit.