

Federal Tax Credits for Residential Energy Efficiency

The American Recovery and Reinvestment Act of 2009 passed by the United States Congress on February 17, 2009, includes the extension of energy incentives through 2010, and the expansion of tax credits for home energy efficiency purchases such as new furnaces, energy-efficient windows and doors, and insulation. The Act also includes tax credits for home builders and tax credits for commercial buildings.

Tax Credits for Consumers

- Tax credits are available at 30% of the cost, up to \$1,500, in 2009 and 2010 (for existing homes only) for windows and doors, insulation, roofs (metal and asphalt), HVAC, water heaters (non-solar) and biomass stoves.
- Tax credits are available at 30% of the cost, with no upper limit through 2016 (for existing homes and new construction) for geothermal heat pumps, solar panels, solar water heaters, small wind energy systems and fuel cells.

Home Improvements

Tax credits are now available for home improvements:

- Must be **placed into service** between January 1, 2009, and December 31, 2010.
- Must be for taxpayer's principal residence, **except** for geothermal heat pumps, solar water heaters, solar panels, and small wind energy systems (where second homes and rentals qualify).
- \$1,500 is the maximum total amount that can be claimed for all products placed into service in 2009 and 2010 for most home improvements, **except** for geothermal heat pumps, solar water heaters, solar panels, fuel cells, and small wind energy systems that are not subject to this cap, and are in effect through 2016.
- Must have a **Manufacturer Certification Statement** to qualify.
- For record keeping, **save your receipts** and the Manufacturer Certification Statement.
- Improvements made in 2009 will be claimed on your 2009 taxes (filed by April 15, 2010). Use IRS Tax Form 5695 (2009 version) which will be available in late 2009 or early 2010.

If you are building a new home, you can qualify for the tax credit for geothermal heat pumps, photovoltaics, solar water heaters, small wind energy systems and fuel cells, **but not the tax credits** for windows, doors, insulation, roofs, HVAC, or non-solar water heaters.

SUMMARY OF TAX CREDITS FOR HOMEOWNERS

To access the links, visit Yeo & Yeo's Web site at www.yeoandyeo.com.

Product Category	Product Type	Tax Credit Specification	Tax Credit	Notes
Windows & Doors	Exterior Windows and Skylights	<p>Before June 1, 2009: Must meet ENERGY STAR criteria</p> <p>After June 1, 2009: U factor <= 0.30 SHGC <= 0.30</p>	30% of cost, up to \$1,500	Not all ENERGY STAR labeled windows and skylights qualify for tax credit.
	Storm Windows	Meets IECC in combination with the exterior window over which it is installed, for the applicable climate zone	30% of cost, up to \$1,500	Manufacturer Certification Statement will list classes of exterior window (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	U factor \leq 0.30 SHGC \leq 0.30	30% of cost, up to \$1,500	Not all ENERGY STAR doors will qualify.
	Storm Doors	In combination with a wood door assigned a default U-factor by the IECC, and does not exceed the default U-factor requirement assigned to such combination by the IECC	30% of cost, up to \$1,500	
Roofing	Metal Roofs, Asphalt Roofs	ENERGY STAR qualified	30% of cost, up to \$1,500	All ENERGY STAR metal and asphalt roofs qualify for the tax credit. Must be expected to last 5 years OR have a 2-year warranty.
Insulation	Insulation	Meets 2009 IECC & Amendments	30% of cost, up to \$1,500	For insulation to qualify, its primary purpose must be to insulate (example: insulated siding does not qualify). Must be expected to last 5 years OR have a 2-year warranty
HVAC	Central A/C	<i>Split Systems:</i> EER \geq 13 SEER \geq 16 <i>Package systems:</i> EER \geq 12 SEER \geq 14	30% of cost, up to \$1,500	For a list of qualified products, go to the Consortium for Energy Efficiency product directory click on Air Conditioners, then in the "CEE Tier" enter "Residential Advanced Tier 3" for CAC Split Systems, and "Residential Tier 2" for CAC Package Systems and ASHPs.
	Air Source Heat Pumps	<i>Split Systems:</i> HSPF \geq 8.5 EER \geq 12.5 SEER \geq 15 <i>Package systems:</i> HSPF \geq 8 EER \geq 12 SEER \geq 14	30% of cost, up to \$1,500	Note — not all ENERGY STAR products will qualify for the tax credit. View ENERGY STAR criteria .
	Natural Gas or Propane Furnace	AFUE \geq 95	30% of cost, up to \$1,500	For a partial list of qualifying products go to: Air-Conditioning, Heating, Refrigeration Institute (AHRI) Not all ENERGY STAR products will qualify for the tax credit. View ENERGY STAR criteria for furnaces , boilers .
	Oil Furnace	AFUE \geq 90	30% of cost, up to \$1,500	
	Gas, Propane, or Oil Hot Water Boiler	AFUE \geq 90	30% of cost, up to \$1,500	
	Advanced Main Air Circulating Fan	No more than 2% of furnace total energy use. Read this FAQ if the fan qualifies, but the furnace does not.	30% of cost, up to \$1,500	

Water Heaters	Gas, Oil, Propane Water Heater	Energy Factor ≥ 0.82 or a thermal efficiency of at least 90%.	30% of cost, up to \$1,500	All ENERGY STAR gas tankless water heaters will qualify. Currently no ENERGY STAR gas storage tank or gas condensing water heaters qualify. View ENERGY STAR criteria for water heaters. For a partial list of qualifying products go to: Air-Conditioning, Heating, Refrigeration Institute (AHRI)
	Electric Heat Pump Water Heater	Same criteria as ENERGY STAR: Energy Factor ≥ 2.0	30% of cost, up to \$1,500	All ENERGY STAR electric heat pump water heaters qualify for the tax credit.
Biomass Stove	Biomass Stove	Stove which burns biomass fuel to heat a home or heat water. Thermal efficiency rating of at least 75% as measured using a lower heating value.	30% of cost, up to \$1,500	
Geo-Thermal Heat Pump	Geo-Thermal Heat Pump	Same criteria as ENERGY STAR: Closed Loop: Open Loop: EER ≥ 14.1 EER ≥ 16.2 COP ≥ 3.3 COP ≥ 3.6 Direct Expansion: EER ≥ 15 COP ≥ 3.5	30% of the cost	All ENERGY STAR geo-thermal heat pumps qualify for the tax credit. Use IRS Form 5695 Must be placed into service before December 31, 2016.
Solar Energy Systems	Solar Water Heating	At least half of the energy generated by the “qualifying property” must come from the sun. Homeowners may only claim spending on the solar water heating system property, not the entire water heating system of the household. The credit is not available for expenses for swimming pools or hot tubs. The water must be used in the dwelling. The system must be certified by the Solar Rating and Certification Corporation (SRCC).	30% of cost	All ENERGY STAR solar water heaters qualify for the tax credit. Use IRS Form 5695 Must be placed into service before December 31, 2016.
	Photovoltaic Systems	Photovoltaic systems must provide electricity for the residence, and must meet applicable fire and electrical code requirement.	30% of cost	Use IRS Form 5695 Must be placed into service before December 31, 2016.

Small Wind Energy Systems	Residential Small Wind Turbines	Has nameplate capacity of not more than 100 kilowatts.	30% of cost	Use IRS Form 5695 Must be placed into service before December 31, 2016.
Fuel Cells	Residential Fuel Cell and microturbine system	Efficiency of at least 30% and must have a capacity of at least 0.5 kW.	30% of the cost, up to \$500 per .5 kW of power capacity	Use IRS Form 5695 Must be placed into service before December 31, 2016.

Tax Credits for Home Builders

Eligible contractors must fill out [IRS Form 8908](#) to get the tax credit. The IRS has provided the following guidance regarding the tax credits for constructing energy efficient new homes available under the Energy Policy Act of 2005:

- [IRS Notice 2006-27](#) provides guidance for the credit for building energy efficient homes other than manufactured homes.
- [IRS Notice 2006-28](#) provides guidance for the credit for building energy efficient manufactured homes.

Home builders are eligible for a **\$2,000 tax credit for a new energy efficient home that achieves 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements.** At least 1/5 of the energy savings must come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards.

There is also a **\$1,000 tax credit to the producer of a new manufactured home achieving 30% energy savings for heating and cooling over the 2004 IECC and supplements** (at least 1/3 of the savings must come from building envelope improvements), or a manufactured home meeting the [requirements](#) established by EPA under the ENERGY STAR program. Please note that, with the exception of the tax credit for an ENERGY STAR qualified manufactured home, these tax credits are not directly linked to ENERGY STAR. Therefore, a builder of an ENERGY STAR qualified home may be eligible for a tax credit, but it is not guaranteed.

These tax credits apply to new homes located in the United States whose construction is substantially completed after August 8, 2005, and that are acquired from the eligible contractor for use as a residence from January 1, 2006, through December 31, 2009.

Tax Deductions for Commercial Buildings

A tax deduction of up to **\$1.80 per square foot** is available to owners or designers of new or existing commercial buildings that **save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001.** Partial deductions of up to \$.60 per square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems. These tax deductions are available for systems placed into service between January 1, 2006, and December 31, 2013.

For More Information

Contact your local Yeo & Yeo office or visit the following Web sites:

- Tax Incentives Assistance Project at www.energytaxincentives.org
- Energy Star (government backed program) at www.energystar.gov
- U.S. Department of Energy at www.energy.gov/taxbreaks.htm
- Database of State Incentives for Renewables & Efficiency (DSIRE) at www.dsireusa.org

The preceding information was excerpted from the U.S. Department of Energy Web site, www.energy.gov/taxbreaks.htm.

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