



## Home Owner Tax Incentive Overview

The American Recovery and Reinvestment Act of 2009 (ARRA) provides tax incentives for homeowners who make energy efficiency improvements to their home. The improvements must be made and placed in service from January 1, 2009 through December 31, 2010 unless otherwise noted.

Product Category	Product Type	Tax Credit Specifications	Tax Credit
HVAC (Heating & Cooling)	Central A/C (Split System)	SEER $\geq$ 16 EER $\geq$ 13	30% of cost up to \$1,500*
	Central A/C (Package System)	SEER $\geq$ 14 EER $\geq$ 12	
	Air Source Heat Pump (Split System)	SEER $\geq$ 15 EER $\geq$ 12.5 HSPF $\geq$ 8.5	30% of cost up to \$1,500*
	Air Source Heat Pump (Package System)	SEER $\geq$ 14 EER $\geq$ 12 HSPF $\geq$ 8	
	Natural Gas or Propane Furnace	AFUE $\geq$ 95%	30% of cost up to \$1,500*
	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*
	Biomass Stove	Stove which burns biomass fuel to heat a home or heat water. Thermal heat rating of at least 75% as measured using a lower heating value	30% of cost up to \$1,500*
Geo-Thermal Heat Pump	System Type	<i>ALL ENERGY STAR qualified geo-thermal systems qualify for the tax credit</i>	30% of cost No Cap
	Closed Loop	EER $\geq$ 14.1 / COP $\geq$ 3.3	Tax Credit available for geo-thermal heat pumps until December 31, 2016
	Open Loop	EER $\geq$ 16.2 / COP $\geq$ 3.6	
	Direct Exchange	EER $\geq$ 15 / COP $\geq$ 3.5	
Water Heating	Gas, Oil, Propane Water Heaters	Energy Factor $\geq$ 0.82 or thermal efficiency of $\geq$ 90%	30% of cost up to \$1,500*
	Electric Heat Pump Water Heaters	Energy Factor $\geq$ 2.0	30% of cost up to \$1,500*
	Solar Water Heating	System must be certified by the Solar Rating & Certification Corporation (SRCC) At least 1/2 of the energy generated must come from the sun	30% of cost No Cap  Tax Credit available for solar water heating until December 31, 2016

This information is intended to provide a partial outline of the tax incentives that may be available for energy efficiency improvements made available under the American Recovery and Reinvestment Act of 2009 (ARRA). This information is not intended to be taken as tax advice and does not purport to list all of the requirements for the credits. We suggest you contact your tax advisor with any questions about your specific situation.



## Home Owner Tax Incentive Overview – Cont.

The American Recovery and Reinvestment Act of 2009 (ARRA) provides tax incentives for homeowners who make energy efficiency improvements to their home. The improvements must be made and placed into service between January 1, 2009 and December 31, 2010 unless otherwise noted.

Product Category	Product Type	Tax Credit Specifications	Tax Credit
Windows and Glass Doors	Exterior Windows and Skylights	After 6/1/2009 U Factor $\leq 0.30$ SHGC $\leq 0.30$	30% of cost up to \$1,500* No installation costs included
	Exterior Doors	After 6/1/2009 U Factor $\leq 0.30$ SHGC $\leq 0.30$	30% of cost up to \$1,500* No installation costs included
Roofing	Metal Roofs & Asphalt Roofs	<i>ENERGY STAR qualified metal and reflective asphalt shingles</i>	30% of cost up to \$1,500* No installation costs included
Insulation	Insulation	Meets 2009 IECC & Amendments	30% of cost up to \$1,500* No installation costs included

### Notes on Home Owners Tax Incentives:

- Must be "placed in service" from January 1, 2009 through 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 in service in 2009 & 2010 for most home improvements, EXCEPT for geothermal heat pumps, solar water heaters, solar panels, fuel cells, and small wind energy systems which 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.
- 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.
- Improvements made in 2009 may be claimed on your 2009 taxes (filed by April 15, 2010) — use IRS Tax Form 5695 (2009 version) — available 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.*
- **\*SUBJECT TO A \$1,500 MAXIMUM PER HOMEOWNER FOR ALL IMPROVEMENTS COMBINED.**

For more detailed information, please visit:

[www.energystar.gov/taxcredits](http://www.energystar.gov/taxcredits)

[www.energytaxincentives.org](http://www.energytaxincentives.org)

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## Home Builder Tax Incentive Overview

The American Recovery and Reinvestment Act of 2009 (ARRA) provides tax incentives for home builders who build energy efficient homes. 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. Requirements for the tax incentive are discussed below.

### Tax Credits for Home Builders (other than manufactured homes)

- A credit of \$2,000 is available to home builders who build new energy efficient homes that achieve 50% heating and cooling energy savings over a comparable home that meets the standards of the 2004 International Energy Conservation Code, including supplements.
- These credits are available for buildings placed in service from January 1, 2006, through December 31, 2009. Eligible contractors need to 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): The guidelines can be found at <http://www.irs.gov/pub/irs-drop/n-06-27.pdf>.
- Please note, 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.
- Only eligible Contractors can take this tax credit. The IRS definition of an eligible contractor: *“An eligible contractor is the person that constructed a qualified new energy efficient home.”*
- Homes can qualify for these credits using a wide range of energy efficiency measures. These can include better-insulated foundations, walls, and ceilings; high-efficiency windows; well-sealed framing and air ducts; high-efficiency heating and cooling systems; and other innovative design and construction methods. DOE is now preparing guidelines on suggested design and construction techniques for reaching the 50% savings threshold. These should be available soon at U.S. Department of Energy website.
- IRS guidance specifies that builders obtain certification that a new home qualifies from an independent certifier accredited by the Residential Energy Service Network or an equivalent program. Details can be found on the IRS website.
- Manufactured homes are eligible for similar tax credits. The IRS guidelines (IRS Notice 2006-28) for tax credits for manufactured homes can be found at <http://www.irs.gov/pub/irs-drop/n-06-28.pdf>

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## Commercial Building Tax Incentive Overview

The American Recovery and Reinvestment Act of 2009 (ARRA) provides tax incentives for owners of commercial buildings that make energy efficiency improvements. Requirements for the tax incentive are discussed below.

### 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 in service” from January 1, 2006 through December 31, 2013.
- The builder (or designer in the case of publicly-owned buildings) can take the deduction in the year the property was placed in service. The building or system must be certified, with inspection and testing, as meeting the energy cost savings goal according to guidance issued by the IRS in consultation with the Department of Energy. IRS Notice 2006-52.
- Key provisions in the guidance include the following:
  - ❖ Certifications must be done by "qualified individuals". Qualified individuals must be licensed engineers or contractors, not be "related" to the taxpayer taking the deduction (as defined by the IRS), and self-certify to the taxpayer that he or she has qualifications to provide the certification.
  - ❖ Certifications for energy savings shall be in accordance with the procedures in Appendix G of ASHRAE Standard 90.1-2004, supplemented with several provisions in the 2005 California Title 24 Nonresidential Alternative Calculation (ACM) Approval Manual. Generally calculations will be done by computer software. Software must be on a list of products approved by the U.S. Department of Energy.
  - ❖ The certification must include a field inspection of the building after the building is placed in service to confirm that the building has met the savings goals. Specific inspection and testing procedures are being developed by the National Renewable Energy Laboratory and will be posted on the web when completed.
  - ❖ Certifiers must also provide the building owner with an explanation and list of the energy efficiency features of the building and the projected annual energy costs.

**IRS Notice 2006-52 provides clarification on the requirements of this tax credit. The Notice can be found at [http://www.irs.gov/irb/2008-14\\_IRB/ar12.html](http://www.irs.gov/irb/2008-14_IRB/ar12.html)**

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