

## Take Credit for Installing Energy Efficient Products

The American Recovery and Reinvestment Act of 2009 (ARRA) provides energy incentives and tax credits for both individuals and businesses. These tax credits are aimed at reducing energy consumption in homes and workplaces throughout the country, with an eye toward lowering carbon emissions into the atmosphere.



A tax credit generally provides more value than an equivalent tax deduction because a tax credit reduces tax dollar-for-dollar, while a deduction only shaves money off your taxable income. For example, if you are in the 25% tax bracket, a \$1,000 deduction lowers your tax bill by \$250. Whereas, a \$1,000 credit lowers your tax bill by \$1,000 no matter which tax bracket you are in. Consumers can itemize purchases on their federal income tax form, which will lower the total amount of tax they owe the government.

Here are some of the key energy provisions in the ARRA:

**Residential Energy Property Credit:** Consumers who purchase and install specific products, such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes 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. Tankless water heaters and alternative energy programs, such as solar panels and wind turbines, are also covered.



A similar credit was available for 2007, but not in 2008. The credit was reinstated for 2009 and 2010.

To determine eligibility for exterior windows and skylights, homeowners can continue to rely on Energy Star labels in determining whether property purchased qualifies for the credit.

To claim the tax credit for energy efficient products "placed in service" (installed) in 2009, homeowners will need to file the 2009 IRS Form 5695 and submit it with their 2009 taxes (by April 15, 2010).

All receipts and the Manufacturer's Certification Statement should be saved by homeowners for documentation or authentication purposes. A Manufacturer's Certification Statement 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.

Where and how can consumers find qualifying products?

**Windows, doors, and skylights:** A red or black label, in combination with EnergyStar designations, will be featured on products that meet federal guidelines. The label identifies high-efficiency products that now qualify as EnergyStar but don't meet the stricter requirements effective April 1, 2010. Windows, doors, and skylights purchased on or after June 1, 2009, must have U-factor and Solar Heat Gain Coefficient (SHGC) ratings of 0.30 or less. These ratings must be certified by the National Fenestration Rating Council (NFRC). Look for the NFRC label.

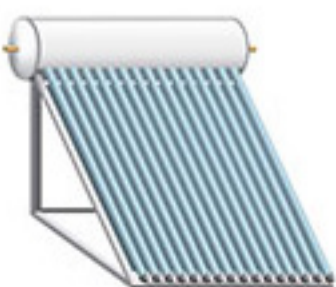
**Storm windows and doors:** The best way to find windows and doors that qualify for the tax credit is to ask retailers for the Manufacturer's Certification Statement for them.

**Roofs:** "Metal roofs with appropriate pigmented coatings" and "asphalt roofs with appropriate cooling granules" that meet EnergyStar credits are eligible for tax credit purposes. Only the materials' cost, not the labor costs or roof coatings costs can be submitted.



**Alternative energy:** Tax credits are available at 30 percent of the cost, with no upper limit through 2016, for existing homes and new construction, when certain items are installed.

Items include geothermal heat pumps (they use about 30 percent less energy than a standard heat pump); solar energy systems - both solar hot water heating and photovoltaic power generating; and residential small wind turbines with a capacity of not more than 100 kilowatts. There are also various tax credits for consumers and businesses on the purchase or lease a new hybrid gas-electric car or truck.



Many of the tax credits apply only to home improvements made to the taxpayer's principal residence, except for geothermal heat pumps, solar water heaters, solar panels, and small wind energy systems (where second homes qualify). If you are building a new home, windows, doors, insulation, roofs, HVAC, and non-solar water heaters do not qualify for the tax credit. The best place to learn more

about the tax credits available is the ENERGY STAR website: [www.energystar.gov](http://www.energystar.gov). ENERGY STAR is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy.