

2009-2010 Energy Efficiency Tax Credit

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History

- February 17, 2009
- President Obama signed economic stimulus bill
 - Includes tax credit incentives for homeowners who make energy-efficient home improvements such as:
 - Qualifying windows and doors



What is the Energy Tax Credit?

- Homeowners have the ability to receive a tax credit of 30% of the cost of qualifying energy-efficient property or improvements placed in service in 2009 or 2010
- Tax credit reduces amount of tax you owe dollar-for-dollar



Requirements

1. Must be an energy efficient building envelope such as:
 - Insulation materials or systems designed to reduce heat loss or gain for dwelling unit
 - Exterior windows (including skylights)
 - Exterior doors
 - Any metal or asphalt roofs installed on a dwelling unit



Requirements Cont.

2. Must be installed in or on a dwelling located in the U.S. and owned and used by the taxpayer as their principal residence
3. Original use of which commences with taxpayer
4. Reasonably can be expected to remain in use for at least 5 years



Regulations

- Windows and doors purchased must:
 - Have a U-Factor of 0.30
 - Have a Solar Heat Gain Coefficient (SHGC) of 0.30 or better

Regulations Cont.

Exterior Windows and Skylights	U factor ≤ 0.30 SHGC ≤ 0.30	Not all ENERGY STAR labeled windows and skylights qualify for tax credit.
Storm Windows	Meets IECC ¹ in combination with the exterior window over which it is installed, for the applicable climate zone	Manufacturer Certification Statement ³ will list classes of exterior window (single pane, clear glass, double pane, low-E coating, etc.) ⁴ that a product may be combined with to be eligible in specific climate zones.
Exterior Doors	U factor ≤ 0.30 SHGC ≤ 0.30	Not all ENERGY STAR doors will qualify.
Storm Doors	In combination with a wood door assigned a default U-factor by the IECC ¹ , and does not exceed the default U-factor requirement assigned to such combination by the IECC	



Regulations Cont.

- Purchase of qualified windows must be made during taxable year for which credit is being claimed
- Credit is only allowable for qualified units placed in service in 2009 and 2010



Regulations Cont.

- Taxpayer does not have to replace all windows in home to qualify
- Credit is only allowed on price of qualified expenditure, NOT on:
 - Installation costs
 - Onsite preparation
 - Assembly
 - Sales tax



Tax Forms

- Taxpayer must file the 2009 IRS Form 5695 and submit it with their 2009 taxes by April 15, 2010



Receipts

- Homeowners must save their receipts for their windows purchased along with all window labels and stickers for verification and tax recordkeeping
- The IRS encourages manufacturers to provide “Manufacturer’s Certification Statements” on their website certifying that the product or component qualifies for the tax credit



Credit Cap

- Credit is capped at \$1,500 for projects completed in 2009 and 2010 for a total of \$1,500 over the two-year period
- Ex. In 2009,
 - Person A buys windows for \$5,000 and gets the entire \$1,500 (30% of \$5,000) tax credit for 2009
 - Person B buys a central air conditioner for \$3,000 and gets back \$900 (30% of \$3,000) in 2009 and could still potentially get another \$600 in 2010



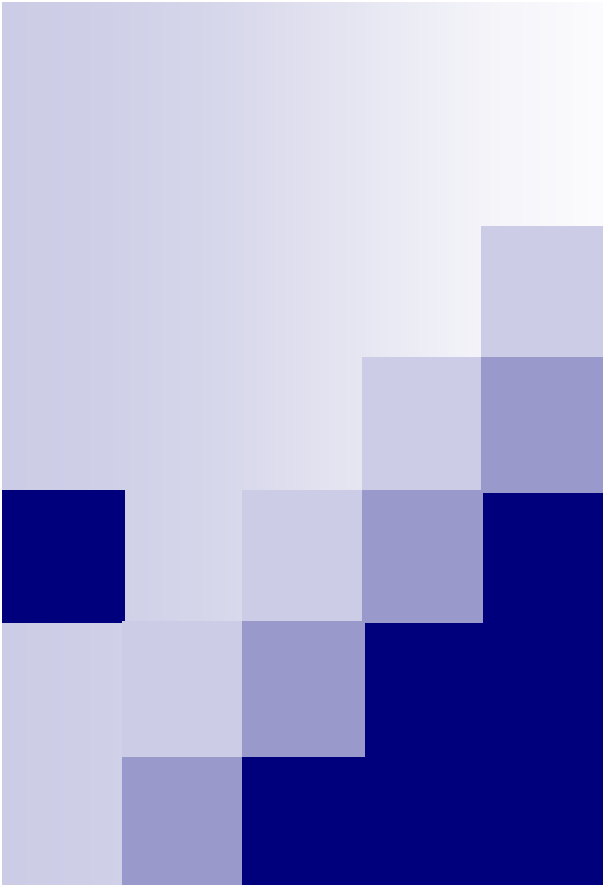
Credit Changes

OLD Credit	NEW Credit
<ul style="list-style-type: none">• 10% credit rate	<ul style="list-style-type: none">• 30% credit rate
<ul style="list-style-type: none">• Allowable credit for the purchase of certain property is:<ul style="list-style-type: none">○ \$50 for each advanced main air circulating fan○ \$150 for each qualified natural gas, propane, or oil furnace or hot water boiler○ \$300 for each item of qualified energy efficient property	<ul style="list-style-type: none">• All energy property otherwise eligible for the \$50, \$150, and \$300 credits is instead eligible for a 30% credit on expenditures for the property.
<ul style="list-style-type: none">• Taxpayer could claim a lifetime nonrefundable credit of up to \$500 for making energy saving improvements to their home. Only \$200 of this credit amount could be for qualifying window expenditures.	<ul style="list-style-type: none">• An aggregate cap of \$1,500 for property placed in service after December 31, 2008 and before January 1, 2011.



Energy Tax Credit

- If a taxpayer takes the \$200 qualifying window credit (credit that ended in 2007), they are still allowed to take the full \$1,500 credit in the 2009/2010 timeframe
- If a credit is allowed under this section, the increase in the basis of such property shall be reduced by the amount of the credit so allowed



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