

## Are Federal Tax Credits and Incentives Available for Homeowners and Businesses?

### Biomass Fuel Stoves

1. **Can I get a tax credit for a biomass burning stove?** The Energy Improvement and Extension Act of 2008 added biomass stoves to the list of eligible equipment for residential federal tax credits. Biomass stoves that use “any plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (including wood pellets), plants (including aquatic plants), grasses, residues, and fibers” are eligible for a \$300 federal tax credit during calendar year 2009.

### Commercial Buildings Energy Efficiency Tax Deduction

1. **How much is the tax deduction?** A maximum of \$1.80 per square foot. There is also a partial deduction of \$.60 per square foot for building subsystems.
2. **How does a commercial building qualify?** The building's annual energy costs have to be 50% of the energy costs of a building built to the ASHRAE 90.1-2001 standard. The Department of Energy will create and maintain a public list of software that may be used to calculate energy and power consumption and cost for purposes of providing a certification.
3. **How do you qualify for the partial deduction of \$.60?** Partial deductions are available for 1) lighting, 2) heating, cooling, ventilation, and hot water, and 3) building envelope. The building subsystems energy costs have to be 16 2/3% of a building built to the ASHRAE 90.1-2001 standard. The lighting subsystem also has an option of reducing the lighting power density by at least 25%
4. **Is there a time limit?** The commercial building has to be placed in service from January 1, 2006 to December 31, 2013.
5. **Are public buildings eligible?** The deduction can go to "the person primarily responsible for designing the property."
6. **How does a commercial building get certified for the deduction?** Before the taxpayer can claim the deduction, the taxpayer must obtain a certification from a qualified individual. A qualified individual is not related to the taxpayer and is an engineer or contractor that is properly licensed as a professional engineer or contractor.
7. **Can COMcheck software be used to determine tax credit eligibility?** COMcheck, a software tool developed by DOE, can be used to assist commercial building owners demonstrate compliance with building energy codes. The Internal Revenue Service (IRS) has agreed that the software can be used to help determine eligibility for lighting tax credits by calculating the percentage reduction in a project's lighting power density (LPD) compared to a code building as defined by Standard 90.1-2001. This helps owners plan improvements and claim credit as these interim rules permit. Owners can qualify for a tax credit between 30 and 60 cents per square foot off the cost of purchasing an energy efficient lighting system. The full range of credits will be available when the IRS finishes its final rules. The COMcheck tool is available for download and as a web-based version.
8. **Where can I learn more about the interim lighting rule?** See the attached article from "Setting the Standard," a DOE publication.
9. **A presentation** about the Commercial Tax Credits available online for more information.

### New Home Energy Efficiency Tax Credits

1. **How much is the tax credit?** \$2,000 for a builder and \$1,000 for a manufactured home producer.
2. **How does a new home qualify for the \$2,000 tax credit?** The home's annual heating and cooling must be at least 50% below the 2004 International Energy Conservation

Code (IECC) standard. Building envelope improvements must account for at least 1/5 of the 50%.

3. **How does a new manufactured home qualify for the \$1,000 tax credit?** The home's annual heating and cooling must be at least 30% below the 2004 International Energy Conservation Code (IECC) standard or the home must be Energy Star certified. Building envelope improvements must account for at least 1/3 of the 30%.
4. **How does a new home get certified for the tax credit?** An eligible certifier is a person that is not related to the eligible contractor and has been accredited or otherwise authorized by RESNET (Residential Energy Services Network) or an equivalent rating network to use energy performance measurement methods approved by RESNET. IRS will create and maintain a list of eligible software programs that can be used to certify homes. Certification statements do not have to be attached to tax returns but need to be kept as tax records.
5. **Is there a time limit?** Construction has to be "substantially completed after date of enactment" ( August 8, 2005) and the home has to be purchased during calendar years 2006, 2007, 2008, or 2009..
6. **Is the 50% reference to energy costs or energy use?** The 30% and 50% references are to annual heating and cooling energy consumption and not costs.
7. **Does a multi-family building qualify?** An eligible dwelling unit is defined as a single unit providing independent living facilities for one or more persons within a building that is not more than 3 stories above grade in height.
8. **Can a manufactured home qualify for the \$2,000 credit?** Yes, if it satisfies the requirements for a new home credit.

### **Existing Home Energy Efficiency Tax Credits**

1. **How much is the tax credit?** A maximum of \$500 for all energy efficiency improvements. There are also maximums for windows (\$200), furnaces or boilers (\$150), advanced main air circulating fans (\$50), heat pumps (\$300), central air conditioners (\$300), and water heaters (\$300). For insulation, the tax credit is 10% of expenditures.
2. **Do the tax credits only apply to my principal residence?** Yes.
3. **What qualifies for the tax credit?** -

#### **Qualified energy efficiency improvements - 10% of expenditures**

Building envelope component must meet prescriptive criteria of the 2004 IECC

- Wall Insulation: R-21
- Ceiling Insulation: R-49
- Basement Insulation: Lower Peninsula - R-11 cavity (e.g. insulation between studs) or R-10 continuous (e.g. continuous foam board)  
Upper Peninsula - R-19 cavity or R-15 continuous
- Windows & Doors: U-factor = .35
- Metal roof with pigmented coating - must be Energy Star

#### **Residential energy property expenditures**

- Energy efficient building property - maximum of \$300 for any item
- Advanced main air circulating fan - maximum of \$50
- Natural gas, propane, or oil furnace or hot water boiler - maximum of \$150

#### **Minimum Requirements:**

- Electric heat pump water heater: Energy Factor - 2.0
- Electric heat pump: HSPF - 9, SEER - 15, & EER - 13
- Central air conditioner: SEER - 15
- Natural gas, propane, or oil water heater/space heater: Energy Factor - .80 or Thermal efficiency - 90%
- Natural gas, propane, or oil furnace or hot water boiler: AFUE - 95

- Advanced main air circulating fan: fan used in a furnace which has annual electricity use of no more than 2% of total furnace energy use.
4. **Is there a time limit?** The improvements have to be placed in service during calendar year 2006, 2007, or 2009.
  5. **Do Energy Star products automatically qualify?** Not necessarily, but many will.
  6. **What kind of water heater will qualify?** Most water heaters will not be able to meet the .80 Energy Factor standard. It appears that many water heater/space heater combinations and tankless water heaters will qualify. The Energy Improvement and Extension Act of 2008 added thermal efficiency of at least 90% to the eligibility criteria.
  7. **How will I know what qualifies for the tax credits?** Manufacturers will probably provide certification statements for their products. A taxpayer may rely on the manufacturer certification. A taxpayer is not required to attach the certification statement to his/her tax return, but a taxpayer should retain the certification statement as part of his/her tax records. Certification statements will be specific to different climate zones. A taxpayer that buys an Energy Star window or skylight may rely on the Energy Star label for documentation, but the window must be for the appropriate region.
  8. **What about installation costs?** With respect to eligible building envelope components, the credit is only allowed for purchasing materials not the labor costs to install. With respect to equipment, i.e. energy efficient building property, installation costs are eligible for the tax credits.
  9. **Can you qualify for both the energy efficient furnace and the advanced main air circulating fan?** Yes, you can combine the two credits.

### **Residential Solar Tax Credits**

1. **How much is the tax credit?** 30% of photovoltaic or solar water heating system expenditures. There is no maximum for photovoltaic and there is a maximum of \$2,000 for solar water heating.
2. **What qualifies for the tax credit?** Solar water heating systems must be certified by the Solar Rating Certification Corp. The law does not mention certification for photovoltaic systems.
3. **Is there a time limit?** The solar systems have to be placed in service during January 1, 2006- December 31, 2016.

### **Residential Wind Energy Tax Credits**

1. **How much is the tax credit?** 30% of system expenditures. There is a \$4,000 maximum credit and a maximum credit of \$500 per half kilowatt.
2. **Is there a time limit?** The wind systems have to be placed in service during January 1, 2008- December 31, 2016.

### **Business Solar Tax Credits**

1. **How much is the tax credit?** It has been increased from 10% to 30% for the next two years. There is no dollar limit.
2. **What qualifies for the tax credit?** Eligible technologies are photovoltaic and solar thermal systems. Hybrid solar lighting systems (fiber-optic distributed sunlight) have been added until 1/1/07.
3. **Is there a time limit?** The solar systems have to be placed in service during January 1, 2006 – December 31, 2016.

### **Transportation-Related Questions**

1. **Can a diesel vehicle I fill with biodiesel qualify for the alternative fuel vehicle tax credit?** Private consumers are not eligible for tax credits for biodiesel and/or ethanol (E85) fuel capable vehicles.
2. **Are there tax credits for purchasing a hybrid vehicle?** Purchasers of hybrids qualify for a:
  - tax credit of 20% of incremental cost if light-duty hybrid gets 30-39.9% more fuel economy (compared to 2002 fuel economy standards)

- tax credit of 30% of incremental cost if light-duty hybrid gets 40-49.9% more fuel economy (compared to 2002 fuel economy standards)
- tax credit of 40% of incremental cost if light-duty hybrid gets 50% or more fuel economy (compared to 2002 fuel economy standards)

### **Additional Resources**

#### **Where else can I go for information?**

Database of Incentives for Renewables and Efficiency <http://www.dsireusa.org/>

- Alliance to Save Energy
- Tax Incentives Assistance Project
- IRS Guidance for Home Builders
- IRS Guidance for Homeowners
- IRS Guidance on Commercial building Energy Efficiency Tax Deduction
- ASHRAE Conference (2/20/07) Presentation on Commercial Building Tax Deduction