

Energy Efficient Tax Credit

Frequently Asked Questions

1. Is the \$1500 deal a tax credit or tax deduction?

It's a tax credit. A tax deduction reduces the amount of income subject to tax. But a tax credit reduces the amount of tax you have to pay. For example if you owe \$800 in taxes at the end of the year, and you get a \$300 tax credit, then you will only owe \$500. If you are getting a refund at the end of the year, you can still most likely collect the entire tax credit, as long as the total amount of income taxes that you have paid throughout the year is more than the total amount of tax that you are claiming. You generally can't get more money back from the government than you paid in income taxes with the exception being "refundable" tax credits, such as the Earned Income Tax Credit

If you don't pay any taxes, then you can't get the tax credit for energy efficiency.

2. How can I determine if I can collect the tax credit? Does it matter if I am getting a tax refund?

Whether or not you are getting a refund does not matter. What matters is your "tax liability." Which is the total amount of federal income tax you are responsible for paying. These energy efficiency tax credits are technically "non-refundable." Which means you can't get more money back in tax credits than you pay in federal income taxes. You can claim all your tax credits as long as your tax liability is greater than zero after all tax credits have been applied.

For example, if your income was \$50,000, your tax liability \$10,000 (before tax credits), and you had \$8,000 withheld from your pay checks, you would still have the ability to claim up to \$10,000 in tax credits. If you are eligible for the entire \$1,500 energy efficiency tax credit, your tax liability (\$10,000) would be reduced to \$8,500 and you would owe the government \$500 at the end of the year (\$8,000 already paid in taxes - \$8,500 tax liability = \$500 final payment).

3. What tax form do I need for the energy efficiency tax credits, and how do I prove I paid for the products / improvements?

To claim the tax credit for energy efficient products placed in service in 2009, you will need to file the 2009 IRS Form 5695 and submit with your taxes. On your regular tax form, look for the line that allows you to claim the residential energy tax credit.

Important: Save your receipts and the Manufacturer's Certification Statement for your records. A manufacturer's Certification Statement is a signed statement from the manufacturer certifying that the component qualifies for the tax credit. The IRS encourages manufacturers to provide these certifications on their website to facilitate identification of qualified products.

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4. Are installation costs covered by the tax credits?

Installation costs ARE COVERED for:

- HVAC (heating, ventilation and air conditioning) systems
- Biomass Stoves
- Water heaters (including solar)
- Solar panels,
- Geothermal heat pumps
- Wind energy systems
- Fuel cells

The tax credit for HVAC, biomass stoves, and non-solar water heaters is 30% of the total cost (Product + installation) up to \$1,500. The law specifies installation costs include: “expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.” The tax credit for solar water heaters, solar panels, geothermal heat pumps, wind energy systems, and fuel cells” is 30% of the total cost (product + installation), with no upper limit. The law specifies installation costs include: “labor costs properly allocable to the onsite preparation, assembly, or original installation of the property and for piping or wiring to interconnect such property to the home.” Installation costs are NOT covered by the tax credit for:

- Windows
- Doors
- Insulation
- Roofs

The tax credit for windows, doors, insulation and roofs is for 30% of the cost of materials only, up to \$1500. The tax credit for fuel cells is 30% of the cost, but limited to \$500 per .5 kW of power capacity.

5. Can I get the tax credit for a rental property?

No, none of the residential tax credits are available to the owners of rental properties. They are only available to your primary residence. The one exception is if you have a second home that is rented part of the year, then you can claim the credit (only for the four products listed below) for the portion of time in which you occupy the residence:

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- Geothermal heat pumps
- Solar panels
- Solar water heater
- Small wind energy systems

6. I am building my own home. Can I qualify for any of the tax credits?

A 30% tax credit (including labor and installation), with no upper limit, is available for consumers building new homes (through 2016) for:

- Photovoltaic
- Solar water heaters
- Geothermal heat pumps
- Small wind energy systems
- Fuel cells (Up to \$500 per .5 kW of power capacity)

To qualify for the fuel cell credit, the new home you are building must be planned as your principal residence. The credit for photovoltaic, solar water heaters, geothermal heat pumps, and small wind energy systems does not have to be for your principal residence, so, so rental units, second homes, etc are all eligible. See the instructions attached to the 2008 IRS Form 5695 to help you further with this provision.

The tax credit for these products is **ONLY** available for existing homes:

Windows / skylights

- Doors
- Insulation
- Roofs (metal and asphalt)
- HVAC
- Water heaters (non-solar)
- Bio-mass Stoves

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7. What products are NOT covered by the tax credits?

- Ceiling fans
- Clothes washer and dryers
- Dishwashers
- Electric storage tank water heaters
- Electric tank less water heaters
- Evaporative coolers (swamp coolers)
- Lighting (light fixtures, DFSs, LEDs)
- Ovens/ranges
- Power factor correction devices
- Programmable thermostats
- Refrigerators
- Roof coatings
- Room air conditioners
- TVs
- Window treatments
- Whole house fans

8. When do I need to have the projects completed? Can the energy efficiency tax credit be carried over to future years?

The tax credit for most improvements and products need to be completed by 2010. The tax credit for products at 30% up to \$1,500 CAN NOT be carried over to future years. You can't even carry forward tax credit dollars from 2009 to 2010.

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The tax credit for the following products at 30% with no upper limit CAN be carried forward to future years:

- Solar Panels
- Solar water heaters
- Geothermal heat pumps
- Small wind energy systems
- Fuel cells

You can carry forward the credit as long as the credit is still in effect. In this case, the credit is in effect through 2016. The energy efficiency tax credit is technically “non refundable”, which means at the end of the year, you can’t get back more in credits than you paid to the government in taxes throughout the year. If you are unable to claim the entire 30% of your purchase for the above products, you can carry forward the unclaimed portion to future years through 2016

The tax credit for insulation, windows, doors, roofs, HVACX, biomass stoves, and non-solar water heaters CAN NOT be carried over. These credits are for 30% of the cost, up to \$1,500 in 2009 and 2010.

9. Is there an income limit on my tax credit?

No. There is no upper or lower limit on income.

10. Where can I get more detailed answers?

For the most recent information visit http://www.energystar.gov/index.cfm?c=tax_credits.tx_index

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