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## ENVIRONMENTAL ADVOCACY

### Federal Legislative Issues

#### Federal Tax Credits

On February 17, 2009, President Obama signed a stimulus bill ([The American Recovery and Reinvestment Act of 2009](#)) that made some significant changes to the energy efficiency tax credits.

#### Tax Credits for Homeowners

- The efficiency levels have been modified to reflect the highest tier of the [CEE High-efficiency Specification for Residential HVAC Systems](#) for equipment "placed in service" between Feb. 17, 2009 to Dec. 31, 2010. **Please note: Equipment listed in the chart below (except water heaters, which only needs to achieve one of the efficiency specifications) must meet all performance specifications for its category. For example, a tax-credit eligible split central air conditioner must have stated performance ratings of 13 EER and 16 SEER.**
- The tax credit has been raised from 10% to 30% for certain products.
- The tax credits that were for a specific dollar amount (i.e. \$300 for a CAC), have been converted to 30% of the cost.
- The maximum credit has been raised from \$500 to \$1500 for the two years (2009–2010). However, some improvements such as geothermal heat pumps, solar water heaters, and solar panels are not subject to the \$1,500 maximum.
- Improvements made in 2009 will be claimed on your 2009 taxes (filed by April 15, 2010) — use IRS Tax Form 5695 (2009 version) — it will be available late 2009 or early 2010.

Product Type	Tax Credit Specification	Tax Credit	Effective Date	Find Qualifying Equipment
Residential Central A/C	<b>Split:</b> EER >= 13 and SEER >= 16  <b>Packaged:</b> EER >= 12 and SEER >= 14	The tax credit is for 30% of the total cost. <sup>1</sup>	Feb. 17, 2009 – Dec. 31, 2010	Go to <a href="#">Air Conditioners and Air Conditioner Coils</a> and enter the minimum EER and SEER.
Residential Air-Source Heat Pumps	<b>Split:</b> HSPF >= 8.5 and EER >= 12.5 and SEER >= 15  <b>Packaged:</b> HSPF >= 8 and EER >= 12 and SEER >= 14	The tax credit is for 30% of the total cost. <sup>1</sup>	Feb. 17, 2009 – Dec. 31, 2010	Go to <a href="#">Heat Pumps and Heat Pump Coils</a> and enter the minimum HSPF, EER and SEER.
Residential Geo-thermal	<b>Closed Loop:</b> EER >= 14.1 COP >= 3.3	This one-time tax credit is for 30% of the	The credits are available for systems	Go to either the <a href="#">Water-to-Air and Brine-to-Air Heat Pumps</a> or <a href="#">Direct Geoechange Heat</a>

<b>Heat Pump</b>	<b>Open Loop:</b> EER>=16.2 COP>=3.6 <b>Direct Expansion:</b> EER>=15 COP>=3.5	total investment <sup>2</sup>	"placed in service" from Jan. 1, 2006 through Dec. 31, 2016.	<a href="#">Pumps</a> directories. Limit your search by entering the qualifying efficiency ratings specified in the second column on this page.
<b>Residential Gas, Oil, Propane Furnace or Hot Water Boiler</b>	<b>Furnaces:</b> Gas >= 95% AFUE Oil >= 90% AFUE Propane >= 95% AFUE <b>Boilers:</b> AFUE>=90	The tax credit is for 30% of the total cost. <sup>1</sup>	Feb. 17, 2009 – Dec. 31, 2010	Go to: <a href="#">Furnaces</a>  Go to: <a href="#">Boilers</a>
<b>Advanced Main Air Circulating Fan</b>	No more than 2% of furnace total energy use. <a href="#">Read this FAQ from Energy Star</a> if the fan qualifies, but the furnace does not.	The tax credit is for 30% of the total cost. <sup>1</sup>	Feb. 17, 2009 – Dec. 31, 2010	
<b>Residential Gas, Oil, Propane Water Heater</b>	Energy Factor >= 0.82 or Thermal Efficiency>=0.90	The tax credit is for 30% of the total cost. <sup>1</sup>	Feb. 17, 2009 – Dec. 31, 2010	Go to: <a href="#">Water Heaters</a>
<b>Residential Electric Heat Pump Water Heater</b>	Energy Factor >= 2.0	The tax credit is for 30% of the total cost. <sup>1</sup>	Feb. 17, 2009 – Dec. 31, 2010	Go to: <a href="#">Water Heaters</a>

<sup>1</sup> Total cost includes cost of the product + installation up to a \$1,500 maximum cap per homeowner for all combined improvements made in 2009 and 2010.

<sup>2</sup> This credit is not limited to the \$1,500 home improvement cap footnoted above.

<sup>3</sup> 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.

### Tax Credits for Home Builders

Home builders are eligible for a \$2,000 tax credit for a new energy efficient home that achieves 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements. At least 1/5 of the energy savings must come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards.

There is also a \$1,000 tax credit to the producer of a new manufactured home achieving 30% energy savings for heating and cooling over the 2004 IECC and supplements (at least 1/3 of the savings must come from building envelope improvements), or a manufactured home meeting the requirements established by EPA under the ENERGY STAR program.

With the exception of the tax credit for an ENERGY STAR-qualified manufactured home, 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.

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.

#### **How to Obtain the Tax Credit**

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** provides guidance for the credit for building energy efficient homes other than manufactured homes.

**IRS Notice 2006-28** provides guidance for the credit for building energy efficient manufactured homes.

#### **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.