

## **ATTENTION HOMEOWNERS:**

### **Bigger And Better Opportunities With The Expansion Of The Energy Tax Credits In The American Recovery & Reinvestment Act Of 2009 (“Stimulus” Bill)**

(Richmond, VA) – There was some good news for the heating and cooling industry in the American Recovery & Reinvestment Act of 2009 that was recently signed by President Obama. Energy tax credits that have popped in and out of the Internal Revenue Code (IRC Sections 25C & 25D) over the last few years have been broadened and their expiration dates pushed further into the future. Here are the changes to the tax credits that directly impact the heating and cooling industry and its’ residential customer base.

The energy tax credit for qualified energy efficiency improvements in the taxpayer’s principal residence has been increased to 30% of the amount invested in new residential energy efficiency property during the tax year. The maximum credit for most property is now capped at \$1,500. (It used to vary between \$50 and \$300 depending on the energy efficient improvement made.) This means that improvements made up to \$5,000 qualify for the energy tax credit. However, for purposes of this tax credit there is no cap for investments in solar water heaters and geothermal heat pumps as long as they meet the energy specific standards. (See the chart at [www.howellsac.com](http://www.howellsac.com)). The homeowner can take a tax credit of 30% of the investment made in the solar water heater or geothermal heat pump system. (NOTE: You can install a geothermal heat pump in a home that is not your personal residence and still take the deduction. This is the only exception to that rule.)

The energy tax credit for new water heaters (gas, propane or oil), central air conditioners, furnaces (gas, propane or oil), heat pumps (electric) and boilers (gas, propane or oil) are available for

installations made during 2009 and 2010 (from 1/1/09 through 12/31/10.) Solar water heating and electric systems and geothermal heat pump installations made from 1/1/09 through 12/31/16 are eligible for the tax credit. Here are a couple of important points to know. First, this credit goes with the taxpayer and not the residence. Once you've reached the maximum credit limit, you are done. You can't maximize the credit on your current principal residence, move and take another energy credit. Secondly, the tax credit for non-solar water heating and HVAC equipment are NOT available for new homes being built. They're only available for existing homes. There is a separate \$2,000 tax credit available for contractors for building a new energy-efficient home. If the tax credit you take exceeds your tax liability for the year, the excess amount will be carried forward to the next tax year. You will not receive a refund of the excess. Another important point to understand is that this is a tax CREDIT not a tax DEDUCTION. What's the difference? Well, a tax deduction means that you can use the amount claimed as a deduction to offset your taxable income. A tax credit means that you offset your tax liability. For example, if you were eligible to take the maximum \$1,500 energy tax credit on a new comfort system installation, it would reduce your tax liability (the amount you owe in taxes) by \$1,500. That's a heck of a lot better than it being used as a deduction where you'd simply reduce your taxable income by \$1,500 and then calculate the tax liability on the taxable income. These provisions that are included in the "Stimulus" bill are great news and come at a very good time for homeowners.

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