Residential Energy Efficiency Incentives

Homeowners can qualify for a variety of federal tax credits by making home envelope improvements and heating and cooling upgrades, and by installing onsite renewable generation. All incentives are in effect for measures placed in service during 2009 & 2010 unless noted otherwise.

Home Envelope and Home Heating & Cooling Equipment

Homeowners can receive a tax credit for making envelope improvements to and installing energy-efficient heating, cooling, and water heating equipment in their primary residence. The incentive is 30% of the cost of eligible measures, with a $1,500 cap on the credit per home. The tax credit for envelope improvements is based on the cost of the materials installed (insulation, windows, sealants, etc.), not the cost of labor. The credit for home heating and cooling and water heating equipment is based on both the cost of the materials and installation labor costs. These incentives do not include measures placed in service during 2008.

Home envelope eligible measures include:
www.energytaxincentives.org/consumers/insulation_etc.php

- **Insulation and Sealing:** Added insulation to walls, ceilings, or other parts of the building envelope and sealing ducts and cracks in the building shell to reduce infiltration and heat loss, as specified in the 2009 IECC model energy code.
- **Replacement Windows, Skylights, and External Doors:** Eligible replacement windows and doors must be equal to or below a 0.30 U Factor and Solar Heat Gain Coefficient. Some storm windows and doors are also eligible.
- **Window Films:** Window films are eligible for the tax credit if the manufacturer certifies that the specific window film satisfies the requirements of a "qualifying insulation system."
- **Roofs:** ENERGY STAR-rated pigmented metal roofs and asphalt roofs with cooling granules.

Eligible home heating & cooling equipment includes: *www.energytaxincentives.org/consumers/heating-cooling.php*

- **Furnaces and Boilers:** High-efficiency gas and propane furnaces that meet an Annual Fuel Use Efficiency (AFUE) of 95 or higher and gas, oil, or propane boilers and oil furnaces that meet an AFUE of 90 or higher.
- **Air Conditioners and Heat Pumps:** Central air conditioning units must meet the highest tier standards set by the Consortium for Energy Efficiency (CEE) as of January 1, 2009, which for most systems is a Seasonal Energy Efficiency Ratio (SEER) of 16.
- **Ground Source or Geothermal Heat Pumps:** See next section.
- **Biomass Stoves:** Stoves must have a thermal efficiency of at least 75%, and be used to heat a dwelling unit or water for use in the same. The law defines biomass fuel as anything from agricultural crops, trees, wood wastes, and residues to pellets, plants, grasses, and fibers.
- **Fans:** High-efficiency fans for heating and cooling systems that use no more than 2% of total heating system energy use, as defined by DOE test procedure.
- **Water Heaters:** Gas or propane water heaters that meet an Energy Factor (EF) of at least 0.82, or a thermal efficiency of at least 90%, and electric heat pump water heaters that meet an EF of at least 2.0.

Onsite Renewable Generation

www.energytaxincentives.org/business/renewables.php

Homeowners can take advantage of several onsite renewable generation incentives, for Solar Energy Systems, Small Wind Systems, and Geothermal Heat Pumps placed in service at any of their residences between January 1, 2008 and December 31, 2016. The incentive is for 30% of the cost of the system (equipment and labor). Solar and geothermal systems installed during 2008 are subject to a cap of $2,000; wind systems installed during 2008 are subject to a cap of $4,000.

Solar Systems
Homeowners are eligible for tax credits for qualified solar water heating and photovoltaic systems. Solar water heating systems produce hot water; photovoltaic systems produce electricity. To qualify, residential systems must meet certain criteria as follows:

Solar Water Heating: Systems must be certified for performance by the Solar Rating Certification Corporation (SRCC) or a comparable entity endorsed by the state government in which the system is located. SRCC is an organization set up by the solar industry to test and certify equipment so purchasers have an independent assessment of system performance. At least half of the energy used by the system to heat the water must be solar energy. The credit is not available for expenses to heat swimming pools or hot tubs.

Photovoltaic (PV) Systems: Systems must provide electricity for the residence, and must meet applicable fire and electrical code requirements.

Small Wind Systems
Homeowners, farmers, and businesses that install wind turbines with not more than 100 kilowatts of nameplate capacity are eligible for the federal investment tax credit.

Geothermal Heat Pumps
Taxpayers who install geothermal heat pump property for residential use are eligible for an incentive. Qualified geothermal heat pump property refers to any equipment that uses the ground or ground water as a thermal energy source to heat the taxpayer's residence, or as a thermal energy sink to cool the residence. The unit must meet the requirements of the ENERGY STAR program that were in effect when the heat pump was purchased.

What Do I Need to Do to Qualify for the Incentives?

Under the IRS rules, manufacturers need to certify that specific products are eligible. Homeowners should obtain a copy of this certification from the manufacturer, installer, or retailer when buying these products. Certifications need not be submitted to the IRS, but should be kept on file in case the IRS has questions. Homeowners should also keep records of when each eligible measure is installed and the cost of the system (including labor). To apply for these incentives, taxpayers should use the IRS Residential Energy Efficient Property Form 5695, available on the TIAP home page.

For more information on criteria, specifications, and other details, visit the TIAP Web site at www.energytaxincentives.org. TIAP also offers links to other sites for specific information on products and technologies.