

## Existing Home Energy Efficiency Tax Credits (SEC. 1333)

**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
- Windows – maximum of \$200
- Residential energy property expenditures
- Energy efficient building property – maximum of \$300 for any item
- Advanced main air circulation 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
- Geothermal heat pump, closed loop: EER – 14.1 & COP – 3.3

- Geothermal heat pump, open loop: EER – 16.2 & COP – 3.6
- Geothermal heat pump, direct expansion: EER – 15 & COP – 3.5
- Central air conditioner: SEER – 15
- Natural gas, propane, or oil water heater/space heater: Energy Factor - .80
- 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 or 2007.

**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 heater/space heater combinations and tank less water heaters will qualify.

**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.

## **Residential Solar Tax Credits (SEC. 1335)**

**1. How much is the tax credit?** 30% of photovoltaic or solar water heating system expenditures up to a maximum of \$2,000 for each type.

**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 calendar year 2006 or 2007.