

Energy Tax Credits Drive Remodeling

Stimulus bill provides incentive for homeowners/remodelers

The American Recovery and Reinvestment Act of 2009, the economic stimulus bill for short, enacted in February made significant changes to the energy efficiency tax credits, providing an incentive for homeowners who want to save energy and an additional sales opportunity for remodelers.

Home energy audits are an increasingly popular way that some remodelers are using to capitalize on the tax credits. They can demonstrate energy and tax savings achieved by measure such as reducing air leakage by installing insulation, replacing inefficient windows and even upgrading HVAC systems.

"In general, tax credits for energy-efficient home improvements such as windows, doors, skylights, insulation, roofing and HVAC have been increased.

Highlights of the new tax credits, according to the Energy Star Web site include:

- Tax credits that were previously effective for 2009, have been extended to 2010.
- The tax credit has been raised from 10 percent to 30 percent.

- The tax credits that were for a specific dollar amount have been converted to 30 percent of the cost.

- The maximum credit has been raised from \$500 to \$1,500 total for all improvements combined for the two-year period (2009-2010). However, some improvements such as geothermal heat pumps, solar water heaters and solar panels are not subject to the \$1,500 maximum.

- The \$200 cap on windows has been removed, but the requirements for windows (after June 1, 2009) has been increased significantly. Not all Energy Star qualified windows will qualify after June 1, 2009.

However, according to the Energy Star Web site, all Energy Star qualified windows purchased between January 1 and May 31, 2009 are eligible for the tax credit of 30 percent of the cost, up to \$1,500.

The Internal Revenue Service (IRS) issued a news release in April corroborating that position, confirmed the previous tax credit standards would apply until June 1 under a "Safe Harbor" provision. "Homeowners may continue to rely on manufacturers' certifica-

tions that were provided under the old guidance and on Energy Star labels for exterior windows and skylights in determining whether proper purchased before June 1, 2009, qualifies for credit," the IRS said. The news release, however, does not constitute a "revised guidance document," which was to be released at a later date, according to the IRS.

Beginning June 1, 2009, to qualify for the tax credit, windows (and doors and skylights) must have a U-factor and solar heat gain coefficient (SHGC) less than or equal to 0.30. This a super-efficient window, and most Energy Star windows will not qualify, according to Energy Star's own Web site.

Earlier statements had indicated that February 17, 2009, the date the bill was signed into law, was the effective date for the "30/30" criteria.

The new 30/30 standards are both controversial and sure to cause confusion.

Homeowners who prior to June 1 purchased Energy Star-rated window or door products that did not meet the "30/30" standards are advised to keep the National Fenestration Rating Council (NFRC) label as well as the sales receipt. Further, they are advised to consult a tax professional and follow IRS guidelines to claim the tax credit.

The new standards are both controversial and sure to cause confusion. The American Architectural Manufacturers Association (AAMA), involved in performance standards and certification in the fenestration industry, has urged Congress to reconcile the stimulus bill standards with Energy Star criteria. AAM says the Energy Star standards were established over the years between the Department of Energy and industry representatives and were accepted as the "definitive requirement within the previous tax credit."

The stimulus bill sets an "arbitrary standard" that "eliminates the majority of proven energy-efficient window, door and skylight products available today," the association states.

In addition to windows, doors and skylights, under the Existing Home Retrofit Tax

SUMMARY OF TAX CREDITS FOR SELECTED PRODUCTS

Product	Tax Credit Specification	Tax Credit
Insulation	Meets 2009 IECC & Amendments	30% of cost up to \$1,500
Exterior Windows and Skylights	Before June 1, 2009 must meet Energy Star criteria; after June 1, 2009: U factor \leq 0.30; SHGC \leq 0.30	30% of cost up to \$1,500
Storm Windows	Meets IECC in combination with the exterior window over which it is installed, for the applicable climate zone	30% of cost up to \$1,500
Exterior Doors	Before June 1, 2009 must meet Energy Star criteria; after June 1, 2009: U factor \leq 0.30; SHGC \leq 0.30	30% of cost up to \$1,500
Storm Doors	In combination with a wood door assigned a default U-factor by IECC and does not exceed the default U-factor requirement assigned to such combination by IECC	30% of cost up to \$1,500
Roofing	All Energy Star qualified metal and reflective asphalt shingles	30% of cost up to \$1,500

Source: Energy Star

www.energystar.gov/taxcredits

WHAT YOU NEED TO KNOW

Some general provisions of the tax credits available for energy-efficient home improvements under the stimulus bill include the following as outlined by Energy Star:

- Eligible products must be placed in service from January 1, 2009, through December 31, 2010
- The products must be installed in the taxpayer's principal residence — with the exception of geothermal heat pumps, solar water heaters and solar wind energy systems, which may qualify if installed in second homes and rental property.
- The maximum tax credit is \$1,500 and that applies to all products placed in service during the eligible period. However, the cap does not apply to geothermal heat pumps, solar water heaters, solar panels, fuel cells and small wind energy systems.
- The products must have a Manufacturer Certification Statement to qualify. According to the Energy Star Web site, "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 Web site 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."

The National Association of Home Builders (NAHB) further suggests that homeowners retain all receipts, including:

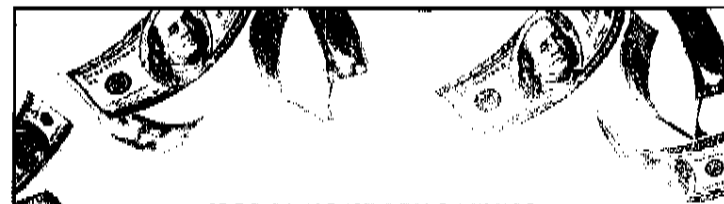
- Name and address of the manufacturer
- Make, model or other identifiers of the component
- Manufacturer's statement that the component meets the tax credit standards
- Climate zones for which the criteria are satisfied
- Improvements made in 2009 should be claimed on the taxpayer's 2009 return (filed April 15, 2010).
- New construction can qualify for tax credits for geothermal heat pumps, photovoltaics, solar water heaters, small wind energy systems and fuel cells, but not for the tax credits for windows, doors, insulation, roofs, HVAC or nonsolar water heaters.

Credit (Tax Code Section 25C), tax credits are available at 30 percent of the cost, up to \$1,500 total, for insulation, roofs (metal and asphalt), HVAC, water heaters (nonsolar) and biomass stoves, according to Energy Star. Those credits apply in 2009 and 2010 for existing homes, not new construction, that are primary residences.

Installation costs are not covered by the tax credit for windows, doors, insulation and roofs. The tax credit, up to \$1,500, is for 30 percent of the cost of materials only.

On the other hand, installation costs are covered for HVAC, biomass stoves, water heaters (including solar), solar panels, geothermal heat pumps, wind energy systems and fuel cells, up to 30 percent of the cost of the product and installation.

Under Tax Code Section 25D, credits are available at 30 percent of the cost, with no upper limit, through 2016, for geothermal heat pumps, solar panels, solar water heaters, small wind energy systems and fuel cells. These credits apply to existing homes, new construction, vacation homes or principal residences. | QR



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