

# Energy Tax Credit Frequently Asked Questions

## **What is the 30% Energy Tax Credit? How has the new Stimulus bill affected the tax credits for energy efficient home improvements?**

The Energy Tax Credit was created in order to benefit those who purchase and install specific types of energy efficient product for their homes. On February 17, 2009, President Obama signed The American Recovery and Reinvestment Act of 2009, often referred to as the Stimulus Bill, that made significant changes to the energy efficiency tax credits. The highlights of these changes are:

- The tax credit has been raised from 10% to 30%.
- The tax credits that were previously effective for 2009, have been extended to 2010 as well.
- The maximum credit has been raised from \$500 to \$1,500 total for the two year period (2009-2010). Some improvements such as geothermal heat pumps, solar water heaters, and solar panels are not subject to the \$1,500 maximum.
- The credit applies to purchases and improvements made between January 1, 2009 and December 31, 2010.

## **What's the difference between a tax credit and a tax deduction?**

Unlike a deduction, which reduces that amount of taxable income, a tax credit directly reduces the amount of tax you have to pay. A tax credit can amount to considerable savings on your tax return.

If you don't pay any taxes, you cannot get the tax credit for energy efficiency.

## **How do I claim the Energy Tax Credit? What tax form do I need?**

To claim the tax credit for energy efficient products "placed in service" in 2009, you will need to file the 2009 IRS Form 5695 and submit it with your 2009 taxes (by April 15, 2010). Although currently only the 2008 version of IRS Form 5695 is available, according to [www.energystar.gov](http://www.energystar.gov), the 2009 version of the form will be available in late 2009 or early 2010. Also save your receipts and the Manufacturer's Certification Statement for your records, although you are not required to submit these with your tax return.

## **What is a Manufacturer's Certification Statement?**

A Manufacturer's Certification Statement is a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit. Larson Manufacturing provides a Certification Statement for qualifying products on [www.LARSONdoors.com](http://www.LARSONdoors.com). Taxpayers must keep a copy of the certification statement for their records, along with their receipt, but do not have to submit a copy with their tax return.

## **Can I include sales tax when determining the total cost for the tax credit?**

Yes, sales tax can be included for all covered products.

## **Are installation costs covered by the tax credit?**

No, the tax credit does not cover the installation costs for storm doors, windows, or doors.

## **Is the tax credit available for new construction?**

Tax credits for storm doors, windows, and doors are available for existing homes only, not new construction, and the home must be your principal residence.

## **What about vacation homes? Rental properties?**

Tax credits for storm doors, windows, and doors are available for your principal residence, located in the United States. Vacation homes and rental properties do not qualify.

## **Can condo or co-op owners get the tax credit?**

Yes, condo and co-op owners can get the tax credit for energy efficiency improvements. If you own a condominium or are a tenant-stockholder in a cooperative house corporation, you are treated as having paid your proportionate share of any costs.

## **Can renters get the tax credit?**

No, you can only get the tax credit if you own your home.

## **Are mobile homes owners eligible for the tax credit?**

Yes, mobile home owner can get the tax credit just like any other home owners, provided it is your primary home.

**Is there an income limit on the tax credit?**

There is no upper or lower limit on income for the energy efficient tax credits.

However, these energy efficiency tax credits are technically "non-refundable" which means you can't get more money back in tax credits than you pay in federal income taxes. You can claim the entire credit as long as the total amount of federal income tax that you owe, minus your deductions, is more than the total amount of tax credits that you are claiming.

If you don't pay any taxes, you cannot get the credit.

**Can two people living in the same home both get the \$1,500 credit? Does the \$1,500 tax credit double for married people filing a joint tax return?**

Two or more unmarried people living in the same home who own it jointly are each eligible for the tax credit on the amount of money they each individually spend to make home improvements.

The \$1,500 tax credit does not double for married people filing jointly, unless both you and your spouse owned and lived apart in separate main homes.

However, married people filing separately can both claim the \$1,500 tax credit, as long as you are both claiming separate expenses.

**If I am getting a refund on my taxes, can I still get the tax credit for energy efficiency home improvements?**

Most likely you can, however, these energy efficiency tax credits are technically "non-refundable" which means you can't get more money back in tax credits than you pay in federal income taxes. You can claim the entire credit as long as the total amount of federal income tax that you owe, minus your deductions, is more than the total amount of tax credits that you are claiming. If you don't pay any taxes, then you can't get the credit.

**Is the \$1,500 tax credit available for each improvement? Can I get \$1,500 in 2009 and another \$1,500 in 2010?**

You can only get a maximum of \$1,500 over the 2-year period (2009 and 2010), even with multiple improvements. Basically you can spend up to \$5,000 during this 2 year period on a single or multiple improvements, and get 30% or \$1,500 (30% of \$5,000 = \$1,500) back as a tax credit. If you get the entire \$1,500 credit in 2009, then you can't get anything additional in 2010.

**What happens to the products that were "placed in service" between January 1, 2009 and February 16, 2009 that were eligible at that time they were purchased, but are no longer eligible because of the increased qualifications passed on February 17 in the Stimulus Act? Are these products still eligible for the tax credit?**

The qualifications in the Stimulus Act were effective on February 17, 2009. The amount of tax credit you can receive was retroactively effective as of January 1, 2009 (for example, storm doors were increased from "10% up to \$500" to "30% up to \$1,500").

So, if a product was installed between January 1, 2009 and February 17, 2009, and it met the previous criteria (in effect at the time of installation), you are eligible for the new tax credit amount.

**If I purchase a qualifying product from a contractor who is also installing it, how do I separate the product cost from the installation cost to determine the correct amount for the tax credit?**

Ask for an itemized bill that separates out product costs from installation costs. If possible, ask the contractor before contracting their services if they will provide an itemized bill to help ensure they provide you with the correct information so you can claim the proper amount for the tax credit.

For storm doors, windows, and doors, the tax credit is for 30% up to \$1,500 for the cost of materials only and does not include the cost of installation.

*Thanks to [www.energystar.gov](http://www.energystar.gov) for the information found in these FAQ. This document is provided for your convenience and the information included is not intended to replace professional advice. As with any tax matter, please consult your tax professional.*

*For more information, visit [www.energystar.gov](http://www.energystar.gov).*