

Tax Credits for Home Energy Efficiency Improvements Increase



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Homeowners can get bigger tax credits for making energy efficiency improvements or installing alternative energy equipment.

The IRS also announced homeowners seeking these tax credits can temporarily rely on existing manufacturer certifications or appropriate Energy Star labels for purchasing qualifying products until updated certification guidelines are announced later this spring.

“These new, expanded credits encourage homeowners to make improvements that will make their homes more energy efficient,” said IRS Commissioner Doug Shulman. “People can improve their homes and save money over the long run.”

ARRA provides for a uniform credit of 30 percent of the cost of qualifying improvements up to \$1,500, such as adding insulation, energy-efficient exterior windows, and energy-efficient heating and air conditioning systems. The new law replaces the old law combination available in 2007 of a 10-percent credit for certain property and

a credit equal to cost up to a specified amount for other property.

The new law also raised the limit on the amount that can be claimed for improvements placed in service during 2009 and 2010 to \$1,500, instead of the \$500 lifetime limit under the old law.

In addition, the new law has increased the energy efficiency standards for building insulation, exterior windows, doors, and skylights, certain central air conditioners, and natural gas, propane or oil water heaters placed in service after Feb. 17, 2009.

IRS guidance issued before the enactment of ARRA will be modified in the near future to reflect the new energy efficiency standards. In the meantime, homeowners may continue to rely on manufacturers’ certifications that were provided under the old guidance and on Energy Star labels for exterior windows and skylights in determining whether property purchased before June 1, 2009, qualifies for the credit. Manufacturers should not continue to provide certifications for property that fails to meet the new standards.

The new law also eliminates the cap on the 30 percent tax credit for alternative energy equipment, such as solar water heaters, geothermal heat pumps and small wind turbines, installed in a home. The cap generally has been eliminated for these improvements beginning in the 2009 tax year. The IRS issued [Notice 2009-41](#), which explains the effects of this change.