

Expanded Recovery Act Tax Credits Help Homeowners Winterize their Homes, Save Energy; Check Tax Credit Certification Before You Buy, IRS Advises

WASHINGTON — People can now weatherize their homes and be rewarded for their efforts. According to the Internal Revenue Service, homeowners making energy-saving improvements this fall can cut their winter heating bills and lower their 2009 tax bill as well.

The American Recovery and Reinvestment Act (Recovery Act), enacted earlier this year, expanded two home energy tax credits: the nonbusiness energy property credit and the residential energy efficient property credit.

Nonbusiness Energy Property Credit

This credit equals 30 percent of what a homeowner spends on eligible energy-saving improvements, up to a maximum tax credit of \$1,500 for the combined 2009 and 2010 tax years. The cost of certain high-efficiency heating and air conditioning systems, water heaters and stoves that burn biomass all qualify, along with labor costs for installing these items. In addition, the cost of energy-efficient windows and skylights, energy-efficient doors, qualifying insulation and certain roofs also qualify for the credit, though the cost of installing these items does not count.

By spending as little as \$5,000 before the end of the year on eligible energy-saving improvements, a homeowner can save as much as \$1,500 on his or her 2009 federal income tax return. Due to limits based on tax liability, other credits claimed by a particular taxpayer and other factors, actual tax savings will vary. These tax savings are on top of any energy savings that may result.

Residential Energy Efficient Property Credit

Homeowners going green should also check out a second tax credit designed to spur investment in alternative energy equipment. The residential energy efficient property credit, equals 30 percent of what a homeowner spends on qualifying property such as solar electric systems, solar hot water heaters, geothermal heat pumps, wind turbines, and fuel cell property. Generally, labor costs are included when calculating this credit. Also, no cap exists on the amount of credit available except in the case of fuel cell property.

Not all energy-efficient improvements qualify for these tax credits. For that reason, homeowners should check the manufacturer's tax credit certification statement before purchasing or installing any of these improvements. The certification statement can usually be found on the manufacturer's website or with the product packaging. Normally, a homeowner can rely on this certification. The IRS cautions that the manufacturer's certification is different from the Department of Energy's Energy Star label, and not all Energy Star labeled products qualify for the tax credits.

Eligible homeowners can claim both of these credits when they file their 2009 federal income tax return. Because these are credits, not deductions, they increase a taxpayer's refund or reduce the tax he or she owes. An eligible taxpayer can claim these credits, regardless of whether he or she itemizes deductions on Schedule A. Use Form 5695, Residential Energy Credits, to figure and claim these credits. A [draft version](#) of this form is available now on IRS.gov.