

Energy Efficient Home Improvement Credits

Dear Client,

Are you thinking about installing property to make your home more energy-efficient? These improvements may include new building envelope components, such as insulation, windows, or doors, or a more efficient main air circulating fan, furnace, boiler, central air conditioner, or water heater.

The good news is that a good portion of the cost of buying and installing this property can be written off. This is done through an income tax credit called the energy efficient home improvement credit.

The credit is equal to the sum of 30% of the expenses that you pay for qualified property. You can also claim a credit for up to \$150 of the cost of a home energy audit, which is an inspection and report which identifies the most significant and cost-effective energy efficiency improvements for your home.

The credit is limited to \$1,200 per year, and subject to the following additional credit limits: (a) \$600 for credits for residential energy property expenditures (including certain heat pumps, central air conditioners, water heaters, and hot water boilers), windows, and skylights; and (b) \$250 for any exterior door (\$500 total for all exterior doors). In addition, a \$2,000 annual limit applies to the cost of specified heat pumps, heat pump water heaters, and biomass stoves and boilers. Fortunately, these are annual limits, rather than lifetime limits. So, for example, if you take a \$1,200 credit this year, you can take another \$1,200 credit for improvements made next year as well.

To be eligible for the credit, the expenses must be for property originally placed in service by you and made on or in connection with a home located in the U.S. and used by you as a residence, or in some cases, as your main residence. You can claim the credit in the year in which the installation is completed. The credit covers both the costs of the property purchased and the expenses of installing it.

The credit is allowed against both regular income tax liability and alternative minimum tax (AMT). And there's no phaseout of the credit based on income, so you can claim it no matter how much income you had for the year.

We are providing this letter to you for informational purposes and it may not apply to you, however someone you know may benefit from it. Please let us know if you have any additional questions regarding this matter.

Very truly yours,

Green, Polack & Company
Accountancy Corporation
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