

# **RESIDENTIAL ENERGY TAX CREDITS**

**Edward Pollock  
U.S. Department of Energy  
RESNET  
San Antonio, TX  
February 27, 2006**



# New Home Business Tax Form

Form **8908**

Department of the Treasury  
Internal Revenue Service

## Energy Efficient Home Credit

► Attach to your tax return.

OMB No. 1545-1979

**2005**

Attachment  
Sequence No. **153**

Name(s) as shown on return

Identifying number

**Caution:** This form may only be filed for fiscal years ending in 2006.

**1a** Enter the total number of qualified energy efficient homes meeting the 50% standard that were substantially completed after August 8, 2005, and sold after December 31, 2005 (see instructions) . . . . . 1a \_\_\_\_\_ b Multiply line 1a by \$2,000 . . . . .

**1b**

**2a** Enter the total number of qualified energy efficient manufactured homes meeting the 30% standard that were substantially completed after August 8, 2005, and sold after December 31, 2005 (see instructions) . . . . . 2a \_\_\_\_\_ b Multiply line 2a by \$1,000 . . . . .

**2b**

**3** Form 8908 credits from pass-through entities:

If you are a—	Then enter the Form 8908 credits from—
<b>a</b> Shareholder . . .	Schedule K-1 (Form 1120S) box 13, code U . . . }
<b>b</b> Partner . . .	Schedule K-1 (Form 1065) box 15, code U . . . }

**3**

**4** **Current year credit.** Add lines 1b, 2b, and 3. Enter the total here and on line 1t of Form 3800. **Exception:** S corporations and partnerships, see instructions.

**4**



# Tax Credit Section of Form 1040

Form 1040 (2005)

Page **2**

## Tax and Credits

### Standard Deduction for—

- People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 36.

- All others:

Single or Married filing separately, \$5,000

Married filing jointly or Qualifying widow(er), \$10,000

Head of household, \$7,300

38	Amount from line 37 (adjusted gross income) . . . . .	38		
39a	Check <input type="checkbox"/> <b>You</b> were born before January 2, 1941, <input type="checkbox"/> <b>Blind.</b> } Total boxes if: <input type="checkbox"/> <b>Spouse</b> was born before January 2, 1941, <input type="checkbox"/> <b>Blind.</b> } checked ► 39a <input type="checkbox"/>			
b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 35 and check here ► 39b <input type="checkbox"/>			
40	<b>Itemized deductions</b> (from Schedule A) or your <b>standard deduction</b> (see left margin) . .	40		
41	Subtract line 40 from line 38 . . . . .	41		
42	If line 38 is over \$109,475, or you provided housing to a person displaced by Hurricane Katrina, see page 37. Otherwise, multiply \$3,200 by the total number of exemptions claimed on line 6d	42		
43	<b>Taxable income.</b> Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . .	43		
44	<b>Tax</b> (see page 37). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 . . . .	44		
45	<b>Alternative minimum tax</b> (see page 39). Attach Form 6251 . . . . .	45		
46	Add lines 44 and 45 . . . . .	46		
47	Foreign tax credit. Attach Form 1116 if required . . . . .	47		
48	Credit for child and dependent care expenses. Attach Form 2441 . . . . .	48		
49	Credit for the elderly or the disabled. Attach Schedule R . . . . .	49		
50	Education credits. Attach Form 8863 . . . . .	50		
51	Retirement savings contributions credit. Attach Form 8880 . . . . .	51		
52	Child tax credit (see page 41). Attach Form 8901 if required . . . . .	52		
53	Adoption credit. Attach Form 8839 . . . . .	53		
54	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 . . . . .	54		
55	Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form _____ . . . . .	55		
56	Add lines 47 through 55. These are your <b>total credits</b> . . . . .	56		
57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0- . . . . .	57		



# Tax Credits for Consumers

- Solar Energy Systems (Sec. 1335)
- Fuel Cells (Sec. 1335)
- Vehicles (Sec. 1341)
- Appliances - manufacturer credit (Sec. 1334):
  - Energy Star dishwashers
  - Energy Star clothes washers
  - Refrigerators that exceed standards
- Home Improvements (Sec. 1333)
- New Homes - credit to builders (Sec. 1332)



# Solar Energy Systems

## Solar Water Heaters

- 30% of Cost\* up to \$2000
- Must supply 50% of home's hot water
- Must be SRCC certified
- Cannot be used to heat pools or hot tubs

## Photovoltaic Systems

- 30% of Cost\* up to \$2000

\*Includes cost of installation



# Fuel Cells

- 30% of the Cost\* up to \$500 per 0.5 kW
- Minimum efficiency of 30%

\*Including installation costs.



# Home Improvements

- \$500 maximum for all taxable years
- Two categories:
  - Building envelope components
  - Qualified energy property
- No credit is allowed for amounts paid for onsite preparation, assembly, or installation of envelope components
- Tax paper may rely on manufacturer's certification which must be maintained in tax payer records.





# Building Envelope Components

Product Type	Specification	Tax Credit
Windows	IECC 04 or ES	10% up to \$200
Storm Windows & Skylights	Storm plus existing meets IECC 04	10% up to \$200
Doors	IECC 04	10% up to \$500
Storm Doors	Combined wood door default U-value plus storm < IECC 04	10% up to \$500
Insulation	Total = IECC04	10% up to \$500
Metal Roofs	ES low heat gain	10% up to \$500 <sub>8</sub>





# Qualified Energy Property

Product Type	Specification	Tax Credit
Central AC	Split Sys. EER 12.5/SEER 15 Pkgd. Sys. EER 12/SEER 14	\$300
Air Source HP	HSPF 9/EER 13/SEER 15	\$300
Geo-Thermal HP	Energy Star	\$300
Water Heater	EF >0.80	\$300
HP Water Heater	EF > 2.0	\$300
Furnaces & Boilers	AFUE > 95	\$150
Air Handler	< 2% of total furnace energy	\$50



# New Homes

- Substantially completed after 8/08/05
- Acquired from contractor 12/31/05 to 1/01/08
- \$2000 business credit for homes with certified heating and cooling energy  $50\% < \text{IECC 2004}$
- \$1000 for Energy Star HUD Code homes or with certified heating & cooling energy  $30\% < \text{IECC 2004}$  (installed inspection required)
- At least 10% reduction in heating and cooling load from envelope improvements



# Certification Process

- Third party certification required
  - Energy savings calculated using software certified using RESNET certification process
  - RESNET procedures used to certify home built to design/modeled specifications
- For production builders (> 85/yr) Energy Star sampling protocol can be used
- Certification report must include:
  - Description of envelope per IECC 401.3
  - Description of HVAC equipment
  - Identification of software program used



# TAX CREDIT STRATEGIES FOR HOT HUMID CLIMATE\*

	<u>House 1**</u>	<u>House 2**</u>
■ Walls	R-19 2x6	R-19 2x6
■ Ceiling	R-60	R-40
■ Reduced infiltration	typical	tight
■ Air conditioner	SEER 15	SEER 13
■ Furnace	AFUE 92.5	AFUE 80
■ Ducts	inside	inside
■ Estimated cost	\$1,635	\$1,112

\* Two story 2500ftsq house slab on grade with 18% window to floor ratio.

\*\* These are representative strategies. Builders must conduct their own analysis to determine the changes to their homes to qualify for the tax credit.



---

# Thank you Philip and Steve !!!