

Tax credits for energy efficiency are back

January 19, 2013|By MARY BETH BRECKENRIDGE, Akron Beacon Journal (MCT), McClatchy-Tribune News Service

Federal tax credits for energy-efficient home improvements are back. Reinstatement of the popular credits was a little-noticed part of the American Taxpayer Relief Act, the last-minute legislation that kept America from tumbling over the fiscal cliff at the start of the year.

The law allows homeowners to claim tax credits of varying amounts on improvements such as insulation, energy-smart windows and highly efficient furnaces. And there's more good news: Congress made those credits retroactive, meaning improvements made in both 2012 and 2013 will qualify. The measure was applauded by energy-efficiency advocates.

"Obviously we think it's a really great move to help consumers afford (improvements) and encourage them to think about making these energy-efficiency investments in their homes," said Ronnie Kweller, a spokesperson for the Alliance to Save Energy, a Washington energy-efficiency lobby. She noted the law also contains incentives for appliance manufacturers to produce efficient clothes washers, dishwashers and refrigerators, and for home builders to construct energy-efficient homes.

Taken together, those incentives are "all really great to help make energy efficiency play a bigger role in the economy overall â? and save consumers money," she said. "It's really a win-win all around." The legislation essentially turns back the clock to 2011, when the last batch of credits was in force. It erased the old expiration date on those credits and set a new deadline of Dec. 31, 2013.

The program still has a cap of \$500 in total credits. That limit goes all the way back to 2006, when the very first credits became available, Kweller said. That means if you've already claimed \$500 in credits for energy-efficiency improvements, you're not eligible for more.

Specifically, these credits are available:

- 10 percent of the cost of insulation materials and systems, not including installation.
- 10 percent of the cost of qualifying exterior doors, windows and skylights, not including installation. (Credits for windows and skylights are capped at \$200.)
- 10 percent of the cost of metal and asphalt roofs specially designed to keep buildings cooler, not including installation.
- \$50 for a furnace fan called a main air circulating fan.
- \$150 for a natural gas, propane or oil furnace or hot water boiler with an annual fuel utilization efficiency rate (AFUE) of 95 percent or greater.
- \$300 for an electric heat pump water heater with an energy factor of at least 2.0.
- \$300 for a highly efficient electric heat pump.
- \$300 for a highly efficient central air conditioner.
- \$300 for a natural gas, propane or oil water heater with an energy factor of at least 0.82 or a thermal efficiency of at least 90 percent.
- \$300 for a biomass stove.

The improvements must be made to the taxpayer's principal residence and must be placed in service by the end of 2013.

To claim a tax credit, you'll need to file Form 5695 along with your federal income tax return for the year the improvement is made. The credit will be subtracted from the amount of tax you owe or added to your tax refund.

Before you file, you're required to get a manufacturer's certification statement, a signed statement from the manufacturer certifying the product qualifies for a tax credit. You should keep it in your files, but you don't have to submit a copy of the statement with your return. That requirement may create a documentation challenge for consumers who made improvements in 2012. Some manufacturers provide those documents on their websites, but consumers may have to go back to the contractor or retailer who sold the item to get a manufacturer's certification statement, Kweller said.

More information on the credits is at:

<http://www.ase.org/taxcredits>

Energy Star Form 5695 is at:

http://www.energystar.gov/index.cfm?c=tax_credits.tx_index