

Federal Tax Incentives for Building Energy Efficiency

RESNET Web Site

www.resnet.us/taxcredits

Energy Policy Act of 2005

- **Signed by President Bush August 8, 2005**
- **25 Titles, 1,724 pages**
- **First major federal energy legislation since 1992**
- **Tax incentives: \$2 billion for 2006 - 2007**
- **Available for commercial & residential buildings and systems.**

Changes in Code

- **BOCA + ICBO + SBCCI = ICC**

- **ICC**

 - International Residential Codes (IRC)

 - International Building Codes (IBC)

 - International Energy Codes

 - Plus others

- **Purchase the three codes (IRC, IBC & IECC)**



Federal Tax Credit for New Homes

Site Built Homes

\$2,000 to builder for each home whose performance is calculated to exceed Heating and Cooling Use of Section 404 of 2004 Supplement of the IECC by 50% (Does not count water heating/renewable energy production – covered by other incentives)

Federal Tax Credit for New Homes

Effective Dates

**Homes built after August 2005 and purchased
between January 1, 2006 and January 1, 2008**

Federal Tax Credit for New Homes

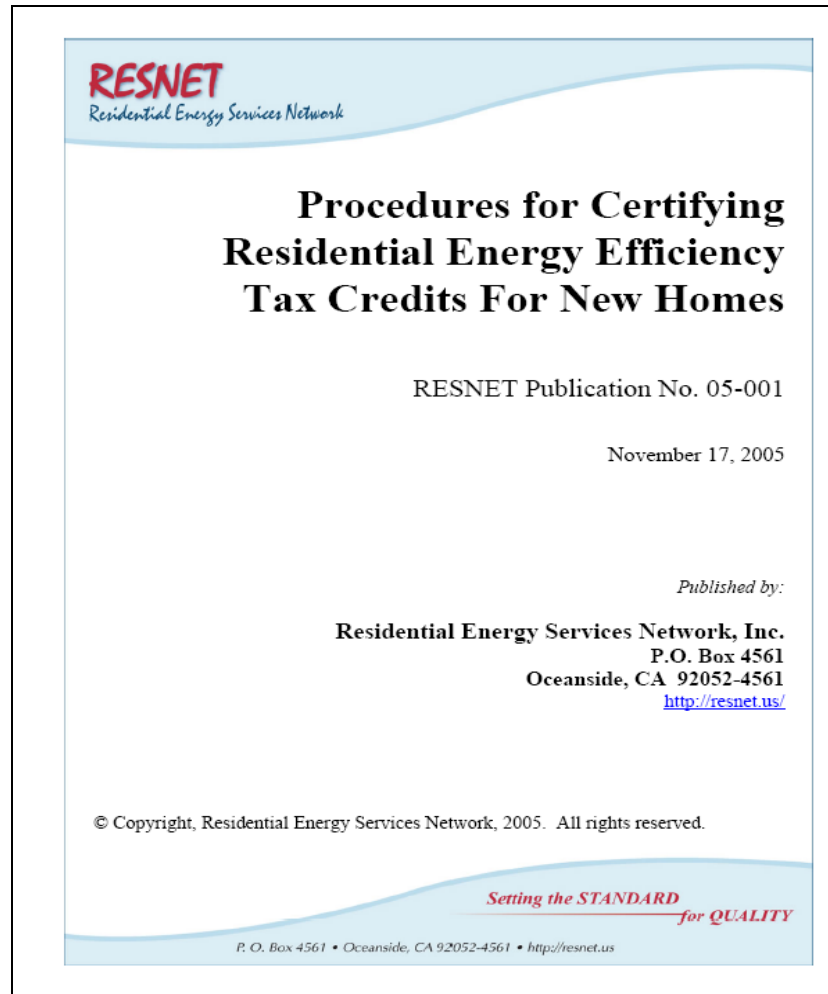
IRS Rule – IRS 2006-27

- + 3rd Party Inspection Required –
Certified by RESNET or Equivalent Rating
Certification Organization**
- + Software Tool Must Comply with
RESNET Software Test Specifications**

Federal Tax Credit for New Homes

Process

- Plan review and calculations
- HERS Rater
- Certified software



www.resnet.us/standards/tax_credits/procedures

RESNET Federal Tax Credit Software Specifications

- + Auto-Generation of the Reference Homes (2004 Supplement to IECC)**
- + HERS BESTEST**
- + RESNET HVAC Tests**
- + Duct Distribution System Efficiencies Tests**

Federal Tax Credit Software Tools Accredited by RESNET

- + Energy Gauge USA (Florida Solar Energy Center)**
- + Micropas (Enercomp, Inc.)**
- + REM/Rate (Architectural Energy Corporation)**
- + Builder Energy Solutions (ICF Resources)**

RESNET Federal Tax Credit Inspection Specifications

- + Homes Shall be Independently Field Tested**
- + Field Verification Shall Follow RESNET's Home Energy Rating Procedures**
- + Person Who Certify Home's Qualification for Tax Credit Shall be Trained and Certified in Accordance with RESNET's National Home Energy Rating Procedures**

IRS Tax Forms

- **Use Form 8908**

- Fiscal year 2006

- No carry back before
 - Can carry forward up to 20 years
 - Use a CPA for all the details

- Claim credit for new energy efficient that substantially completed after August 8, 2005 & acquired by an individual from contractor

IRS Tax Forms

<p>Form 8908</p> <p>Department of the Treasury Internal Revenue Service</p>	<p>Energy Efficient Home Credit</p> <p>▶ Attach to your tax return.</p>	<p>OMB No. 1545-1979</p> <p style="font-size: 2em; font-weight: bold;">2005</p> <p>Attachment Sequence No. 153</p>						
Name(s) as shown on return		Identifying number						
<p>Caution: This form may only be filed for fiscal years ending in 2006.</p>								
<p>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</p>	1b							
<p>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</p>	2b							
<p>3 Form 8908 credits from pass-through entities:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; text-align: center;">If you are a—</td> <td style="width: 70%; text-align: center;">Then enter the Form 8908 credits from—</td> </tr> <tr> <td style="text-align: center;">a Shareholder . . .</td> <td style="text-align: center;">Schedule K-1 (Form 1120S) box 13, code U . . . }</td> </tr> <tr> <td style="text-align: center;">b Partner. . .</td> <td style="text-align: center;">Schedule K-1 (Form 1065) box 15, code U . . . }</td> </tr> </table>	If you are a—	Then enter the Form 8908 credits from—	a Shareholder . . .	Schedule K-1 (Form 1120S) box 13, code U . . . }	b Partner. . .	Schedule K-1 (Form 1065) box 15, code U . . . }	3	
If you are a—	Then enter the Form 8908 credits from—							
a Shareholder . . .	Schedule K-1 (Form 1120S) box 13, code U . . . }							
b Partner. . .	Schedule K-1 (Form 1065) box 15, code U . . . }							
<p>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.</p>	4							

Tax Credit 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"/> You were born before January 2, 1941, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1941, <input type="checkbox"/> Blind. } 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	Itemized deductions (from Schedule A) or your standard deduction (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	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	
44	Tax (see page 37). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972		44	
45	Alternative minimum tax (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 total credits		56	
57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-		57	

What you need to do:

- Save all your receipts and equipment documentation
- Obtain third party documentation (e.g. HERS Rating report for new homes or engineering analysis for ASHRAE 90.1)
- Consult the IRS or your tax advisor

Verification Entity Should Provide:

- **Plan Analysis**
- **Appropriate information to enable builder to reach the 50% reduction**
- **Certificate with Plan Analysis (with inspection confirmation of 50% reduction)**

Federal Tax Credit for Existing Homes

IRS Rule – IRS 2006-26

**+ Products Must Meet Criteria in
2000 IECC**

Residential HVAC Tax Credits

Equipment*	Standard	Tax Credit
Central Air Conditioning	15 SEER & 12.5 or 13 EER	\$300
Air-Source Heat Pumps	15 SEER, 9 HSPF, 13 EER	\$300
Ground-Source Heat Pumps	ENERGY STAR Qualifying (must also provide water heating)	\$300
Natural Gas, Oil or Propane Furnace / Boiler	95% AFUE	\$150
Furnace Blower	ECM Motor (electricity use < 2% of total furnace site energy use)	\$50
Electric Heat Pump Water Heater	2.0 EF (Energy Factor)	\$300
Natural Gas, Propane or Oil Water Heater	0.80 EF (Energy Factor)	\$300

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

Federal Tax Credit for Commercial Buildings

Offers businesses a deduction of \$1.80 per square foot for commercial buildings that achieve a 50% reduction in annual energy, compared to ASHRAE/IESNA 90.1-2001

IRS has not released rules for this yet

Legislation to Extend Federal Building Energy Efficiency Tax Incentives

Grassley-Baucus Bill (S 2401)

- + Extends New Homes Builder Credit to December 31, 2010**
- + Extends Commercial Building Deduction to December 31, 2010**

**2007 RESNET Building Performance
Conference
February 19 – 21 – San Diego, CA**

**Comprehensive Review of Enhancements to
ENERGY STAR & Rating Standards**

Federal Tax Credits

www.resnet.us/conference