



*Economic Stimulus Response*

## **Energy Efficiency Article**

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# **Use tax credits to fund efficiency upgrades**

By Megan McKoy

The idea of living in a more efficient home—and paying lower utility bills—has widespread appeal. But finding ways to fund improvements can be difficult during hard economic times.

Fortunately, the federal government offers two ways to recover some of your expenses when planning upgrades: energy efficiency tax credits and renewable energy tax credits.

Through the 2009 American Recovery and Reinvestment Act—know as the federal stimulus bill—Uncle Sam offers a personal tax credit of up to \$1,500 for energy efficiency measures made at existing homes in 2009 and 2010. You can recover 30 percent of the cost of adding insulation materials and exterior doors, windows, and roofs designed to help reduce your home's heat loss or gain. The credit also covers efficient central air conditioners, air-source heat pumps, hot water boilers, and biomass stoves.

With a maximum value of \$1,500 for all improvements made in 2009 and 2010, the credit may be applied toward material costs on all projects. You can also use it on installation costs for heating, ventilation and air conditioning systems and biomass stoves.

If you want to start generating your own power, consider taking a renewable energy tax credit covering 30 percent of the cost of materials and installation for solar panels, solar water heaters, and geothermal heat pumps. This credit applies to both existing homes and new construction. Projects must be placed into service between January 1, 2009, and December 31, 2016.

ENERGY STAR, a joint program of the U.S. Department of Energy and the U.S. Environmental Protection Agency, provides guidelines on what qualifies for both tax credits at [www.energystar.gov](http://www.energystar.gov), keyword "Tax credits."

You can file for energy tax credits using IRS Form 5695. Remember to get a Manufacturer Certification Statement (a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit) for your records. Both of the energy tax credits are non-refundable—they can increase your refund by reducing the taxes you owe, dollar for dollar, and can be carried forward to reduce your taxes in following years. But you don't get a separate check for the credit amount.

Some electric cooperatives and state government offices offer further subsidies or rebates to consumers who want to make their homes more efficient. For a listing of state and local

energy efficiency assistance available, visit the Database for State Incentives for Renewables & Efficiency, a project funded by the U.S. Department of Energy, at [www.dsireusa.org](http://www.dsireusa.org).

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*Source: ENERGY STAR, Database for State Incentives for Renewables & Efficiency*

*Megan McKoy writes on consumer and cooperative affairs for the National Rural Electric Cooperative Association, the Arlington, Va.-based service arm of the nation's 900-plus consumer-owned, not-for-profit electric cooperatives.*