



## Federal Energy Efficiency Tax Credits for Existing Homes (Retrofit)

- The maximum **homeowner** credit for all improvements combined is **\$500 during the 2-year period** of the tax credit.
- This tax credit applies to improvements made from January 1, 2006 through December 31, 2007.
- Includes **improvements to building shell** (windows, doors, insulation) and **HVAC and water heating equipment**.

### Ways to get \$500 retrofit credit

- **Exterior windows:** 10% of the total cost (not installation), up to \$200. Includes skylights and storm windows.
  - To be eligible exterior windows must be ENERGY STAR qualified *or* meet the International Energy Conservation Code (IECC) (either 2001 or 2004)
- **Insulation, exterior and storm doors, or pigmented metal roofs:** 10% of the cost of the product (not installation), up to \$500. Includes seals to limit air infiltration, such as caulk and weather stripping, as well as storm doors.
  - To be eligible insulation and exterior and storm doors must meet the IECC (either 2001 or 2004)
  - To be eligible pigmented metal roofs must meet Energy Star
- **Central air conditioner, heat pump, or water heater:** up to \$300 (not based on a percentage of initial cost) towards the full purchase price, including installation costs.
  - Product eligibility varies, see [www.energytaxincentives.org](http://www.energytaxincentives.org)
- **Furnace or boiler:** up to \$150 towards the full purchase price, and/or \$50 an efficient air-circulating fan in a furnace, including installation cost.
  - To be eligible a furnace or boiler must have an Annual Fuel Utilization Efficiency (AFUE) of >95

## Federal Energy Efficiency Tax Credit for New Homes

- **Available 2006-2007** (including homes “substantially completed” after August 8, 2005 and sold in 2006.)
- Federal Tax Credit for New Site-Built Homes **\$2,000 to builder** for each home that
  - Achieves **50% energy savings for heating and cooling** over the 2004 IECC and supplements (Does not count water heating/renewable energy production)
  - Building envelope improvements alone account for a level of annual heating and cooling energy consumption that is at least 10% below that of a reference dwelling unit.
- **Not all ENERGY STAR homes are eligible** for this new home tax credit
- Requires RESNET procedures to show compliance (e.g. REM/Rate or Energy Gauge)

## North Carolina Renewable Energy Tax Credits

- Tax credit equal to **35% of the cost of renewable energy property** constructed, purchased, or leased by a taxpayer.
- Eligible costs include:
  - Equipment and associated design
  - Construction costs
  - Installation costs
  - Less any discounts, rebates, advertising, etc

- **The allowable credit may not exceed 50% of a taxpayer's liability** for the year, reduced by the sum of all other credits. If the credit is not used entirely in the first year, the remaining amount may be carried **over for the next 5 years**.
- **Passive Solar System:**
  - Credit limit of \$3,500 per dwelling unit
  - Includes cost of windows, thermal mass, and controls
- **Domestic Solar Hot Water System (and pool heating):**
  - Credit limit of \$1,400 per dwelling unit
- **Active Space Heating**
  - Credit limit of \$3,500 per dwelling unit
- **Combined Active Space and Domestic Hot Water System:**
  - Credit limit of \$3,500 per dwelling unit
- **Biomass, Hydroelectric, Solar Electric (PV) and Wind**
  - Credit limit of \$10,500 per technology per dwelling unit
- The need forms and instructions are available at the North Carolina Solar Center Website: [www.ncsc.ncsu.edu](http://www.ncsc.ncsu.edu)

## Federal Renewable Energy Tax Credits

- A **30% tax credit up to \$2,000** for the purchase and installation of residential **photovoltaic** (solar electric), **solar water heating**, and **fuel cell** systems.
- An individual can take full credits on both a photovoltaic system and a solar water heating system.
- A 30% tax credit up to \$500 per 0.5 kW is also available for fuel cells.
- Expenditures include labor costs for the onsite preparation, assembly, or original installation of the system and for piping or wiring to interconnect the system to the dwelling.
- A full guide to the tax credit is available here: [www.seia.org/manualdownload.php](http://www.seia.org/manualdownload.php)

### Solar Water Heating Specifics

- System must be designed to provide at least 50% of annual hot water needs
- Solar water heating property must **be certified for performance by the Solar Rating Certification Corporation** or a comparable entity endorsed by the government of the State in which the property is installed.
- The tax credit does **not apply to solar water heating for swimming pools or hot tubs**.

### Federal Renewable Energy Tax Credits

- A system must be "placed in service" or activated between January 1, 2006, and December 31, 2007.
  - Expenditures are treated as made when the installation is completed.
- The credit is calculated based on the individual's expenditures **excluding** subsidized energy financing, which is defined as "financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy."
- If the federal tax credit exceeds tax liability, the excess amount may be carried forward to future taxable years.

### Solar Hot Water Example

- **\$5,000 installed system**
- 35% NC tax credit equals (\$1,750) \$1,400
- 30% Federal tax credit equals \$1,500

But you must pay federal taxes on NC tax credit so (assuming 30% tax bracket) you owe 30% times \$1,400 (= \$420) in taxes

**Cost of system to you:** \$5,000 - \$1,400 - \$1,500 + \$420 = **\$2520**

### A few internet resources

- Consumer tax credits: [www.ase.org/taxcredits](http://www.ase.org/taxcredits)
- All efficiency incentives: [www.energytaxincentives.org](http://www.energytaxincentives.org)
- Tax rules and forms: [www.irs.gov](http://www.irs.gov)
- Federal and State, all incentives: [www.dsireusa.org](http://www.dsireusa.org)
- Energy Efficiency Information (tax credits and more): [www.energystar.gov](http://www.energystar.gov)
- North Carolina Solar Center: NC renewable tax credit forms: [www.ncsc.ncsu.edu](http://www.ncsc.ncsu.edu)

For more information about tax credits and residential building, visit:

[www.healthybuilthomes.org](http://www.healthybuilthomes.org)



For more information about North Carolina Solar Center programs, go to

[www.ncsc.ncsu.edu](http://www.ncsc.ncsu.edu)