



The Tax Incentives Assistance Project (TIAP)

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February 17, 2009: Stimulus Package Extends, Enlarges Energy Efficiency Tax Incentives

Congress passed an economic stimulus package over the weekend that does much to promote energy efficiency. The *American Recovery and Reinvestment Tax Act of 2009* includes several provisions modifying and expanding the scope of the energy efficiency and renewable energy incentives. A few notable changes:

- Energy efficiency incentives for upgrades to existing homes have been extended, and are now available for 2009 and 2010.
- The financial cap for these incentives, which cover home envelope improvements as well as heating, cooling and water heating equipment, was increased to \$1,500 (from \$500). The cap applies to one's combined credit for 2009 and 2010 (e.g. if one claims \$1000 in 2009, up to \$500 may be claimed in 2010).
- Lower caps, such as the \$200 cap on new windows, have been abolished. The existing home incentives are now calculated at 30% of the cost of the installation, up to the \$1,500 cap. The legislation is unclear on whether this includes both equipment and labor, however previous IRS rulings suggest that labor is NOT included.
- Standards for equipment eligibility have changed – see the individual topic pages under the Consumer tab for details (coming soon).
- On-site renewables (solar photovoltaic and hot water systems, small wind systems, and geothermal heat pumps) are now eligible for a tax incentive worth 30% of the total cost, without a cap.
- There are new incentives for plug-in electric vehicles, and plug-in conversion kits.

Please visit the measure-specific pages through the menus to the left for details.

October, 2008 – Legislative Update

On Oct. 3, 2008, the President signed into law legislation to extend many of the Energy Efficiency Tax Incentives first enacted in 2005 but that expired at the end of 2007 or that were scheduled to expire at the end of 2008. The bill also includes extensions of a variety of renewable energy tax incentives. The energy efficiency provisions include:

- An extension of the commercial buildings tax deduction to the end of 2013.
- An extension of the tax credit for efficient furnaces, boilers, air conditioners, water heaters and insulation and window upgrades to existing homes (covering improvements installed in 2009, but not 2008).
- A one-year extension of the new energy-efficient home tax credit, to the end of 2009.
- Three-years of manufacturer tax credits for sales of high-efficiency refrigerators, clothes washers, dishwashers, and dehumidifiers (2008-2010).
- A new tax credit for plug-in hybrid vehicles purchased starting in 2008 and extending until shortly after the number of qualifying vehicles reaches 250,000.
- A new 10% investment tax credit for combined heat and power systems (through 2016)
- An extension of fuel cell and microturbine credits to the end of 2016.
- Accelerated depreciation for smart meters and smart grid systems.
- Extension of an existing bonding program for green buildings and sustainable design, and establishment of a new energy conservation bond program that would help local and state governments to fund energy conservation efforts.

The bill pays for these provisions by restricting several oil and gas industry tax breaks, and tightening some provisions on the sale of stocks.

For more information, see these links:

- [ACEEE's National Energy Policy Web site](#)
- [The Energy Policy Act of 2005](#) (energy-efficiency tax incentives are Sections 1331—1341, beginning on pg. 427)

- [Analyses of the Federal Energy Policy Act of 2005](#) from the American Council for an Energy-Efficient Economy (ACEEE).

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** While we have made great effort to describe these tax incentives accurately, we cannot provide tax advice and suggest you contact a tax professional with any questions specific to your situation.*