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RIA Federal Tax Handbook

Chapter 8 Tax Credits

¶ 2345 Personal (Refundable and Nonrefundable) Credits.

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RIA Federal Tax Handbook

¶ 2366. Nonbusiness energy property credit before 2011—Form 5695.

For property placed in service in tax years beginning after 2008 and before 2011 (Code Sec. 25C(g), a taxpayer can claim (on Form 5695) a credit equal to 30% of the sum of the cost of: qualified energy efficiency improvements to his home and residential energy property expenditures (see below), up to aggregate amount of \$1,500 in credits. (Code Sec. 25C(a), Code Sec. 25C(b)) The expenses must be made on or in connection with a dwelling unit located in the U.S., owned and used by the taxpayer as his principal residence (as defined in Code Sec. 121), and originally placed in service by the taxpayer. (Code Sec. 25C(c), Code Sec. 25C(d)) FTC ¶ A-4750; USTR ¶ 25C4; Tax Desk ¶ 569,550

Qualified energy efficiency improvements are energy efficient building envelope components that meet criteria established by the 2000 International Energy Conservation Code (that meet Energy Star program requirements in the case of a metal roof with appropriate pigmented coatings, or an asphalt roof with appropriate cooling granules). These consist of insulation materials or systems specifically and primarily designed to reduce heat loss/gain that meet the 2009 International Energy Conservation Code; exterior windows (including skylights); exterior doors; and certain metal or asphalt roofs installed on a dwelling unit with pigmented coatings or cooling granules to reduce heat gain. (Code Sec. 25C(c)(2)) The components must be expected to last for at least five years. (Code Sec. 25C(c)) A manufacturer's certification that a component meets energy requirements can be relied on by taxpayers until IRS withdraws it. The 5-year requirement is met if the manufacturer offers a 2-year warranty to repair or replace at no extra charge. FTC ¶ A-4752; USTR ¶ 25C4; Tax Desk ¶ 569,552

Residential energy property expenses are expenses for qualified energy property (including labor costs for onsite preparation, assembly, or original installation) that meet specific standards set forth in Code Sec. 25C(d)(2)(B) and Code Sec. 25C(d)(2)(C) . Such property includes:

- ... energy-efficient building property (electric heat pump water heater, electric heat pump; central air conditioner; natural gas, propane or oil water heater; or a stove burning biomass fuel to heat or provide hot water to a taxpayer's residence in the U.S.) that meets specific energy efficiency standards;
- ... a qualified natural gas, propane, or oil furnace; or qualified natural gas, propane, or oil hot water boiler; or
- ... an advanced main air circulating fan. (Code Sec. 25C(d)) FTC ¶ A-4751; USTR ¶ 25C4; Tax Desk ¶ 569,551

Any expense that otherwise qualifies for the credit won't fail to qualify merely because it was made for two or more dwelling units. In those cases, the amount of the credit is computed separately for the amount of the expenditure made for each dwelling unit. (Code Sec. 25C(e)(2)(B)) FTC ¶ A-4755; USTR ¶ 25C4; Tax Desk ¶ 569,555 If a credit is allowed for an expense for a property, the increase in the basis of that property that would otherwise result is reduced by the credit allowed. (Code Sec. 25C(f), Code Sec. 1016(a)(34)) FTC ¶ A-4757; USTR ¶ 25C4; Tax Desk ¶ 569,557

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