

W I S C O N S I N



To: Participating Builders – Wisconsin ENERGY STAR[®] Homes Program

From: Gregory A. Nahn, Program Manager, Wisconsin ENERGY STAR Homes

Re: Final Rules on 2006-2007 Tax Credit for Construction of New Energy Efficient Homes

Date: March 2006

I am writing to provide you an update on federal tax credits available to eligible contractors for the construction of energy efficient new homes. The final rules have been published by the Internal Revenue Service (IRS) and more information can be found on their Web site at www.IRS.gov/newsroom.

In August 2005, President Bush signed the Federal Energy Policy Act into law. The Act has provisions encouraging the construction of energy efficient homes and includes a \$2,000 tax credit for each new home, provided it meets the following criteria:

- The home must be located in the United States and substantially completed after August 8, 2005.
- The home must be acquired from the eligible contractor after December 31, 2005, and before January 1, 2008, for use as a residence.
- The home must be 50% more efficient (in terms of space heating and cooling) than a home built to Chapter 4 of the 2004 International Energy Conservation Code (IECC) (or most current version); and
- At least 10% of the home's 50% energy savings must be through the performance of the building shell – air tightness, windows, and insulation levels.
- An eligible contractor is anyone who can claim a business tax credit under guidelines established in the IRS Publication 3800.
- All qualifying homes need to be tested and verified in accordance with protocols established by the national Residential Energy Services Network (RESNET) and currently administered through the Wisconsin ENERGY STAR Homes Program "certification" process.
- Installation of a 13 SEER air conditioner **IS NOT** required as part of tax credit qualification.
- Eligible contractors can claim the credit on their income tax filing for the year the home was sold and must retain as part of their taxpayer records the testing and verification documents provided by a RESNET accredited consultant.
- Software capable of demonstrating compliance is expected to be released in mid-March and should be available to program-accredited consultants by April 1, 2005.

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In October, the Wisconsin ENERGY STAR Homes Program used a preliminary version of the software to compare a random sample of 25 certified homes to the energy efficiency threshold (IECC 2004 -50%) of the legislation. Based on that comparison and our track record of documented building performance, we believe current builder partners are well-positioned to take advantage of the tax credit. Further, we are committed to helping make this happen – both in the field and on the national policy level – for Wisconsin builders and program partners.

To that end we recommend:

- Builders should contact their tax advisor to discuss how the credit may benefit your business.
- Builders should contact their consultant to determine the potential eligibility of all homes sold after December 31, 2005, and/or current or future building projects. Again, we expect consultants to have the updated software by April 1, 2006.

Please feel free to contact me at (888) 509-3247, ext. 390, or e-mail at greg@weccusa.org, or your consultant with questions. Thank you for your part in proving the benefits of tested building performance through the Wisconsin ENERGY STAR Homes Program.