

Residential energy tax credits

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More and more Wisconsin homeowners are turning to energy efficiency and renewable energy as a way to save energy and money. And now, purchasing and installing smart energy solutions is more affordable than ever when eligible homeowners combine financial incentives from Focus on Energy with residential tax credits from the federal government.

NEW ACT EXTENDS RESIDENTIAL TAX CREDITS

The Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009 extended the Energy Policy Act of 2005. The most recent act extends the federal tax credits available for energy efficiency and renewable energy improvements through the end of 2011. The 2011 25C home energy improvement incentives will cover 10 percent (up to \$500) of the cost of eligible home energy-efficiency projects. Certain projects may have incentive caps that fall below the \$500 limit.

Focus on Energy encourages interested homeowners to discuss these tax credits with a trusted tax professional.

TAX CREDITS FOR EXISTING HOME ENERGY-EFFICIENCY IMPROVEMENTS

Tax credits are available to a homeowner's principal residence (including HUD-manufactured homes and condos) for improvements placed in service through Dec. 31, 2011. **However, new legislation reinstates lifetime credit caps that disqualify any homeowner who has claimed more than \$500 in 25C tax credits since Jan. 1, 2005, from any further credits.**

QUALIFIED ENERGY-EFFICIENCY IMPROVEMENTS:

Windows, skylights, and exterior doors

A 10 percent tax credit (up to \$200) is available for the material cost of ENERGY STAR® qualified exterior windows, skylights, and exterior doors. Products must meet federal minimum U-factors (a measure of how

well windows prevent heat loss). Installation costs are not eligible for the credit.

Insulation and air sealing

A 10 percent tax credit is available for the installed costs of insulation and air sealing. Insulation products must meet federal minimum U-factors and R-values (insulation is rated in terms of thermal resistance, or R-value, which indicates its resistance to heat flow).

Metal roof or asphalt roof

Such a roof qualifies for the 10 percent tax credit only if it meets ENERGY STAR standards and has appropriate pigmented coatings or cooling granules which are specifically and primarily designed to reduce the heat gain of the dwelling unit.

RESIDENTIAL ENERGY PROPERTY EXPENDITURES:

Installation costs are included

Furnaces and boilers

A 10 percent tax credit (up to \$150) is available for the purchase of a natural gas, propane, or oil furnace with an annual fuel utilization efficiency (AFUE) rating of 95 percent or higher. It also applies to a natural gas, propane, or oil hot-water boiler that achieves an AFUE of 95 percent or higher.

Central air conditioners, heat pumps and water heaters, stoves

The typical central air-conditioning or heat pump found in Wisconsin is a split system with an outdoor unit located outside the home and an indoor coil installed in the duct above the furnace. To qualify for the 10 percent tax credit (up to \$300), a split system air conditioner must have an energy efficiency rating (EER) of 13 or higher or a seasonal energy efficiency rating (SEER) of 16 or higher. A split system air-source heat pump must have a 12.5 EER or higher, 15 SEER or higher, or a Heating Season Performance Factor (HSPF) of 8.5 or higher.

For more information,
call 800.762.7077 or visit focusonenergy.com.



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Partnering with Wisconsin utilities

Another type of air conditioner can be installed as a package unit but is not very common for residential applications in Wisconsin. A 10 percent tax credit (up to \$300) is available for the purchase of certain high-efficiency air conditioners and water heaters that meet the following criteria:

Gas or propane water heaters with an energy factor (EF) of at least 0.82 or a thermal efficiency of at least 90 percent. The only models that currently meet this standard are tankless water heaters and some systems that combine both space and water heating.

Heat-pump water heaters with an EF of at least 2.0. In many cases, the qualifying equipment will meet or exceed ENERGY STAR requirements. Refer to the IRS tax code for details. Please work with your retailer or dealer to assist in your selections. Stoves that burn biomass fuel to heat a primary residence or to heat water and that have a thermal efficiency rating of at least 75 percent, as measured using a lower heating value, qualify for the credit.

Advanced main air-circulating fan

A \$50 tax credit is available for the purchase of an advanced main air-circulating fan. This is a fan used in a forced-air heating and/or cooling system's air handler (the typical furnace type in Wisconsin homes) that has an annual electricity use of no more than 2 percent of the total annual energy use of the furnace.

Limits on the tax credit

Recent legislation reinstates lifetime credit caps that disqualify any homeowner who has claimed more than \$500 in 25C tax credits since Jan. 1, 2005, from any further credits. Certain energy-efficiency projects have incentive caps that may fall below the \$500 limit.

Homeowners can claim the one-time tax credit of up to \$500 for eligible projects installed through Dec. 31, 2011. All improvements must be installed in or on the taxpayer's principal residence in the United States. The property must be an existing home. New construction and rentals do not qualify.

RENEWABLE ENERGY TAX CREDITS

The solar tax credit

An eligible Wisconsin resident can claim a 30 percent tax credit on qualifying expenditures for eligible solar electric and/or solar water heating systems. There is no maximum credit limit for systems placed in service before Jan. 1, 2016, and taxpayers subject to the alternative

minimum tax (AMT) may claim the credit. Receipt of a Focus financial incentive for installing a renewable energy system may affect the basis of this tax credit.

Geothermal tax credits

An eligible Wisconsin resident can claim a 30 percent tax credit on the qualifying expenditures for an eligible ground-source (geothermal) heat pump system placed in service before Jan. 1, 2016. There will be no maximum credit limit and taxpayers subject to the AMT may claim the credit. Receipt of a Focus financial incentive for installing a renewable energy system may affect the basis of this tax credit.

The small wind tax credit

An eligible Wisconsin resident can claim a 30 percent tax credit on the qualifying expenditures for eligible small wind systems with a nameplate capacity of 100 kilowatts (kW) or less. There is no maximum credit limit for systems placed in service before Jan. 1, 2016, and taxpayers subject to the alternative minimum tax may claim the credit. Receipt of a Focus financial incentive for installing a renewable energy system may affect the basis of this tax credit.

If you have a home business

If you claim a portion of your home as a business on your federal taxes, you can claim the same portion of your qualifying solar or small wind energy system as a business expense. Qualifying commercial solar electric and solar thermal property is eligible for a 30 percent tax credit or U.S. Treasury Grant with a five-year accelerated depreciation.

Other incentives to lower the cost of a renewable energy system

In addition to the federal tax credit, a Wisconsin resident who is eligible for Focus on Energy incentives may receive a Cash-Back Reward for an eligible renewable energy installation. Approval of your application is required before you order, purchase, or install a renewable energy system. Please visit focusonenergy.com/reincentives or call our Information Center at **800.762.7077** for up-to-date information on available incentives.

WHAT MUST A HOMEOWNER DO TO RECEIVE THE TAX CREDIT?

The IRS will establish rules on how to claim the new tax credit and will publish the necessary forms. At a minimum, you should plan to keep all receipts that prove you purchased the products or materials and

completed the improvements. In most cases you will also need to have the Manufacturer's Certification Statement. Contact a trusted tax professional to determine your eligibility for any tax credit.

LEARN MORE

Focus on Energy

Learn about financial incentives for installing energy efficiency and renewable energy projects.
focusonenergy.com/incentives

American Recovery and Reinvestment Act

recovery.gov

Wisconsin's Office of Recovery and Reinvestment

recovery.wisconsin.gov

Internal Revenue Service

irs.gov

Alliance to Save Energy

ase.org

U.S. Environmental Protection Agency

epa.gov

The Official ENERGY STAR website

energystar.gov

The Tax Incentives Assistance Project

energytaxincentives.org

Database of State Incentives for Renewables and Efficiency

dsireusa.org

TAKE ACTION TODAY. SEE RESULTS TOMORROW.

Lower energy costs. A healthier home. Cleaner air and water. These are the results when Wisconsin residents tap into energy efficiency and renewable energy. To find out how you can reduce energy costs and improve the comfort, safety, and durability of your home, call Focus on Energy at **800.762.7077** or visit focusonenergy.com.

STAY CURRENT AND CONNECTED!

Join our online conversation at focusonenergy.com/socialnetworks to connect with people who share your interest in saving energy and money at home and work. Also, visit focusonenergy.com/incentives for the latest incentives and requirements as Focus offers are subject to change.

Focus on Energy works with eligible Wisconsin residents and businesses to install cost-effective energy efficiency and renewable energy projects. Focus information, resources, and financial incentives help to implement projects that otherwise would not be completed, or to complete projects sooner than scheduled. Its efforts help Wisconsin residents and businesses manage rising energy costs, promote in-state economic development, protect our environment, and control the state's growing demand for electricity and natural gas. For more information, call **800.762.7077** or visit **focusonenergy.com**.



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