



Federal Tax Credits for Energy Efficiency

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Quick link to this page: energystar.gov/taxcredits

Federal Tax Credits for Energy Efficiency includes:

- [Tax Credits for Consumers](#)
 - Tax credits are available at 30% of the cost, up to \$1,500, in 2009 & 2010 (for existing homes only) for:
 - [Windows and Doors](#)
 - [Insulation](#)
 - [Roofs \(Metal and Asphalt\)](#)
 - [HVAC](#)
 - [Water Heaters \(non-solar\)](#)
 - [Biomass Stoves](#)
 - Tax credits are available at 30% of the cost, with no upper limit through 2016 (for existing homes & new construction) for:
 - [Geothermal Heat Pumps](#)
 - [Solar Panels](#)
 - [Solar Water Heaters](#)
 - [Small Wind Energy Systems](#)
 - [Fuel Cells](#)
- [Cars](#)
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Frequently Asked Questions:

[Are installation costs covered by the tax credit?](#)

[Is there an income limit on the tax credit?](#)

[What forms do I need for the energy efficiency tax credits?](#)

[All Tax Credit FAQs](#)

**Please note, not all ENERGY STAR qualified homes and products qualify for a tax credit. These tax credits are available for a number of products at the highest efficiency levels, which typically cost much more than standard products. If, for whatever reason, you decide not to purchase a product covered by the tax credit, you may still consider purchasing an ENERGY STAR product. ENERGY STAR distinguishes energy efficient products which, although they may cost more to purchase than standard models, will pay you back in lower energy bills within a reasonable amount of time, without a tax credit.

Tax Credits for Consumers:



Home Improvements




Tax credits are now available for home improvements:





- must be "[placed in service](#)" from January 1, 2009 through December 31, 2010
- must be for taxpayer's principal residence, EXCEPT for geothermal heat pumps, solar water heaters, solar panels, and small wind energy systems (where second homes and rentals qualify)
- \$1,500 is the maximum total amount that can be claimed for all products placed in service in 2009 & 2010 for most home improvements, EXCEPT for geothermal heat pumps, solar water heaters, solar panels, fuel cells, and small wind energy systems which are not subject to this cap, and are in effect through 2016
- must have a [Manufacturer Certification Statement](#) to qualify
- for record keeping, save your receipts and the [Manufacturer Certification Statement](#)
- improvements made in 2009 will be claimed on your 2009 taxes (filed by April 15, 2010) — use IRS Tax Form 5695 (2009 version) — it will be available late 2009 or early 2010
- If you are building a new home, you can qualify for the tax credit for geothermal heat pumps, photovoltaics, solar water heaters, small wind energy systems and fuel cells, *but not the tax credits for windows, doors, insulation, roofs, HVAC, or non-solar water heaters.* [More](#).

SUMMARY OF TAX CREDITS FOR HOMEOWNERS

| Product Category | Product Type | Tax Credit Specification | Tax Credit | Notes |
|------------------|--------------------------------|---|---|--|
| Insulation | Insulation | Meets 2009 IECC & Amendments | 30% of cost, up to \$1,500 ¹ | For insulation to qualify, its primary purpose must be to insulate (example: insulated siding does not qualify). Check to see if you have Home Performance with ENERGY STAR in your areas. Adding insulation to your home is covered. |
| Windows & Doors | Exterior Windows and Skylights | Before June 1, 2009: Must meet ENERGY STAR criteria After June 1, 2009: U factor <= 0.30 SHGC <= 0.30 | 30% of cost, up to \$1,500 ¹ | Not all ENERGY STAR labeled windows and skylights qualify for tax credit. More information |
| | Storm Windows | In combination with the exterior window over which it is installed: 1. has a U-factor and SHGC of 0.30 or below 2. Meets the IECC | 30% of cost, up to \$1,500 ¹ | View our FAQ on storm doors and storm windows. |
| | Exterior Doors | Before June 1, 2009: Must meet ENERGY STAR criteria After June 1, 2009: | 30% of cost, up to \$1,500 ¹ | Not all ENERGY STAR doors will qualify. More information |

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| | Storm Doors | U factor \leq 0.30 | 30% of cost, up to \$1,500 ¹ | View our FAQ on storm doors and storm windows. |
| | | SHGC \leq 0.30 | | |
| Roofing | Metal Roofs, Asphalt Roofs | In combination with a wood door over which it is installed: <ol style="list-style-type: none"> has a U-factor and SHGC of 0.30 or below Meets the IECC | 30% of cost, up to \$1,500 ¹ | View our FAQ on roofs that qualify for the tax credit |
| | | All ENERGY STAR qualified metal and reflective asphalt shingles | | |
| HVAC | Central A/C | <i>Split Systems:</i> EER \geq 13 SEER \geq 16 <i>Package systems:</i> EER \geq 12 SEER \geq 14 | 30% of cost, up to \$1,500 ¹ | For a list of qualified products, read this FAQ . Note — not all ENERGY STAR products will qualify for the tax credit. View ENERGY STAR criteria . |
| | Air Source Heat Pumps | <i>Split Systems:</i> HSPF \geq 8.5 EER \geq 12.5 SEER \geq 15 <i>Package systems:</i> HSPF \geq 8 EER \geq 12 SEER \geq 14 | 30% of cost, up to \$1,500 ¹ | |
| | Natural Gas or Propane Furnace | AFUE \geq 95 | 30% of cost, up to \$1,500 ¹ | For a partial list of qualifying products go to: Air-Conditioning, Heating, Refrigeration Institute (AHRI)  EXIT  |
| | Oil Furnace | AFUE \geq 90 | 30% of cost, up to \$1,500 ¹ | Not all ENERGY STAR products will qualify for the tax credit. View ENERGY STAR criteria for furnaces, boilers . |
| | Gas, Propane, or Oil Hot Water Boiler | AFUE \geq 90 | 30% of cost, up to \$1,500 ¹ | |
| | Advanced Main Air Circulating Fan | No more than 2% of furnace total energy use. Read this FAQ if the fan qualifies, but the furnace does not. | 30% of cost, up to \$1,500 ¹ | |
| | Water Heaters | Gas, Oil, Propane Water Heater | Energy Factor \geq 0.82 or a thermal efficiency of at least 90%. | 30% of cost, up to \$1,500 ¹ |

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| | | | | For a partial list of qualifying products go to: Air-Conditioning, Heating, Refrigeration Institute (AHRI) EXIT |
| Biomass Stove | Electric Heat Pump Water Heater | Same criteria as ENERGY STAR: Energy Factor ≥ 2.0 | 30% of cost, up to \$1,500 ¹ | All ENERGY STAR electric heat pump water heaters qualify for the tax credit. |
| | Biomass Stove | Stove which burns biomass fuel to heat a home or heat water. Thermal efficiency rating of at least 75% as measured using a lower heating value. | 30% of cost, up to \$1,500 ¹ | View FAQ on biomass stoves. |
| Geo-Thermal Heat Pump | Geo-Thermal Heat Pump | Same criteria as ENERGY STAR: Closed Loop: EER ≥ 14.1 COP ≥ 3.3 Open Loop: EER ≥ 16.2 COP ≥ 3.6 Direct Expansion: EER ≥ 15 COP ≥ 3.5 | 30% of the cost | All ENERGY STAR geo-thermal heat pumps qualify for the tax credit. Use IRS Form 5695  EXIT Must be “ placed into service ” before December 31, 2016. |
| Solar Energy Systems | Solar Water Heating | At least half of the energy generated by the “qualifying property” must come from the sun. Homeowners may only claim spending on the solar water heating system property, not the entire water heating system of the household. The credit is not available for expenses for swimming pools or hot tubs. The water must be used in the dwelling. The system must be certified by the Solar Rating and Certification Corporation (SRCC). | 30% of cost | All ENERGY STAR solar water heaters qualify for the tax credit. Use IRS Form 5695  EXIT Must be placed in service before December 31, 2016. |
| | Photovoltaic Systems | Photovoltaic systems must provide electricity for the | 30% of cost | Use IRS Form 5695  EXIT |

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| | | residence, and must meet applicable fire and electrical code requirement. | | Must be placed in service before December 31, 2016. |
| Small Wind Energy Systems | Residential Small Wind Turbines | Has nameplate capacity of not more than 100 kilowatts. | 30% of cost | Use IRS Form 5695  EXIT ⇄ Must be placed in service before December 31, 2016. |
| Fuel Cells | Residential Fuel Cell and microturbine system | Efficiency of at least 30% and must have a capacity of at least 0.5 kW. | 30% of the cost, up to \$500 per .5 kW of power capacity | Use IRS Form 5695  EXIT ⇄ Must be placed in service before December 31, 2016. |
| Cars | Hybrid gasoline-electric, diesel, battery-electric, alternative fuel, and fuel cell vehicles | | Based on a formula determined by vehicle weight, technology, and fuel economy compared to base year models | There is a 60,000 vehicle limit per manufacturer before a phase-out period begins. Toyota and Honda have already been phased out. Credit is still available for Ford, GM and Nissan. For more information visit: FuelEconomy.gov EXIT ⇄ Use IRS Form 8910  EXIT ⇄ for hybrid vehicles purchased for personal use. Use IRS Form 3800  EXIT ⇄ for hybrid vehicles purchased for business purposes. |
| | Plug-in hybrid electric vehicles | | \$2,500–\$7,500 | The first 250,000 vehicles sold get the full tax credit (then it phases out like the hybrid vehicle tax credits). Effective January 1, 2009. |

¹Subject to a \$1,500 maximum per homeowner for all improvements combined.

Efficient Cars

Starting January 1, 2009, there is a new tax credit for Plug-in hybrid electric vehicles, starting at \$2,500 and capped at \$7,500 for cars and trucks (the credit is based on the capacity of the battery system). The first 250,000 vehicles sold get the full tax credit (then it phases out like the hybrid vehicle tax credits).

Tax credits are available to buyers of hybrid gasoline-electric, diesel, battery-electric, alternative fuel, and fuel cell vehicles. The tax credit amount is based on a formula determined by vehicle weight, technology, and fuel economy compared to base year models. These credits are available for vehicles [placed in service](#) starting January 1, 2006. For hybrid and diesel vehicles made by each manufacturer, the credit will be phased out over 15 months starting after that manufacturer has sold 60,000 eligible vehicles. For vehicles made by manufacturers that have not reached the end of

the phase-out, the credits will end for vehicles [placed in service](#) after December 31, 2010. [See the IRS Website for updated information](#) [EXIT ↔](#) .

Tax Credits for Home Builders:

Eligible contractors need to fill out [IRS Form 8908](#) [EXIT ↔](#) to get the tax credit. The IRS has provided the following guidance regarding the tax credits for constructing energy efficient new homes available under the Energy Policy Act of 2005:

- [IRS Notice 2006-27](#) [EXIT ↔](#) provides guidance for the credit for building energy efficient homes other than manufactured homes.
- [IRS Notice 2006-28](#) [EXIT ↔](#) provides guidance for the credit for building energy efficient manufactured homes.

Home builders are eligible for a \$2,000 tax credit for a new energy efficient home that achieves 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements. At least 1/5 of the energy savings must come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards.

There is also a \$1,000 tax credit to the producer of a new manufactured home achieving 30% energy savings for heating and cooling over the 2004 IECC and supplements (at least 1/3 of the savings must come from building envelope improvements), or a manufactured home meeting the [requirements](#) established by EPA under the ENERGY STAR program.

Please note that, with the exception of the tax credit for an ENERGY STAR qualified manufactured home, these tax credits are not directly linked to ENERGY STAR. Therefore, a builder of an ENERGY STAR qualified home may be eligible for a tax credit but it is not guaranteed.

These tax credits apply to new homes located in the United States whose construction is substantially completed after August 8, 2005 and that are acquired from the eligible contractor for use as a residence from January 1, 2006 through December 31, 2009.

Tax Deductions for Commercial Buildings:




A tax deduction of up to \$1.80 per square foot is available to owners or designers of new or existing commercial buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001. Partial deductions of up to \$.60 per square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems. These tax deductions are available for systems "[placed in service](#)" from January 1, 2006 through December 31, 2013.

Take the [ENERGY STAR Challenge](#) to find the best opportunities for energy savings, set goals for improvement, and achieve superior energy efficiency.


- [IRS Notice 2006-52 \(6/2/2006\)](#) [EXIT ↔](#) provides guidance on deduction for energy efficient commercial buildings.
- [IRS Notice 2008-40 \(4/7/2008\) - Amplification of Notice 2006-52](#) [EXIT ↔](#)
- [Qualified Software for Calculating Energy Savings](#) [EXIT ↔](#)
- [Commercial Building Tax Deduction Coalition](#) [EXIT ↔](#)
- [Brochure: Residential Energy Efficiency Incentives \(TIAP — May 2009, 2 pages\)](#) [EXIT ↔](#)

Tax Credit Legislation:

The Energy Policy Act of 2005 first established the energy efficiency tax credits that were effective in 2006 & 2007. The majority of these tax credits were for 10% of the cost, up to \$500. On October 3, 2008 former President Bush signed the Emergency Economic Stabilization Act of 2008 (also known as the "Bailout Bill") to put many of the tax credits back in place for 2009, and increased the credit to 30%, up to \$1,500. On February 17, 2009 President Obama signed into law the American Recovery and Reinvestment Act of 2009 (also known as the "Stimulus Bill") which among other changes extended the tax credits to 2010.

- [Energy Policy Act of 2005](#)  [EXIT](#) ⇄
- [Emergency Economic Stabilization Act of 2008 \("the Bailout Bill"\)](#)  [EXIT](#) ⇄
 - Signed October 3, 2008 by President Bush
 - Relevant sections are in DIVISION B, Sections 106 (25D) and 302 (25C)
- [American Recovery and Reinvestment Act of 2009 \(the "Stimulus Bill"\)](#)  [EXIT](#) ⇄
 - Signed February 17, 2009 by President Obama
 - Relevant Sections are: DIVISION B, Sections 1103, 1121 (25C) and 1122 (25D)

IRS Guidance:

- [IRS Notice 2006-26 \(6/2006\) Interim guidance for Section 25C](#)  [EXIT](#) ⇄
- [IRS Notice 2009-41 \(5/11/2009\) Interim guidance for Section 25D](#) [EXIT](#) ⇄

For More Information:

- [Tax Incentives Assistance Project \(TIAP\)](#) [EXIT](#) ⇄
- [Brochure: Residential Energy Efficiency Incentives \(TIAP — May 2009, 2 pages\)](#) [EXIT](#) ⇄

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