Federal & Louisiana Energy Tax Credits for 2009 and 2010

The federal government has encouraged taxpayers to invest in home improvements and systems that use renewable sources of energy (such as the sun) and make a home more energy efficient. The U.S. House of Representatives passed legislation to extend and, in some cases, amend the Energy Policy Act of 2005. The one-time tax credits still apply only to improvements to the taxpayer's primary residence (not rental property).

Tax credits also are available for new home construction and for improvements to commercial buildings, for manufactured homes and condos and for hybrid (gasoline-electric) vehicles.

There also are separate Louisiana tax credits for solar- or wind-energy systems. These apply to Louisiana homeowners or owners of residential rental apartment projects located in the state.

Federal Tax Credits

The Process Is Easy

When you file your taxes, the federal tax credit is claimed on IRS Form 5695 and subtracted from the taxable income you owe. There are no refunds if your credit is greater than your tax amount, but for solar incentives, the credit can carry over to the next year. This applies to federal tax credits only. You will need to keep receipts, purchase invoices and the manufacturer's certification* statement with your tax records in case you are audited.

*A manufacturer's certification is a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit.

Choosing Your Credits

Always look for the Energy Star label as you shop. Although the initial price of an energy-efficient product may be a little higher, such investments can quickly pay back in utility bill savings, especially as energy costs rise, while improving the comfort and durability of your home and ultimately helping our nation reduce its reliance on foreign energy sources.

Home improvement tax credits are available for qualified home improvements "placed in service" from Jan. 1, 2009, through Dec. 31, 2010.

Your local LSU AgCenter office has information to help guide your decision making on these energy efficiency-purchases.

Energy Efficiency Improvements
(for primary residence)

Building Envelope
insulation, windows, doors and roof

Heating and Air Conditioning

Water Heaters

Residential Renewable Energy
(includes primary residence, rental units and second homes)

Solar Electric

Solar Hot Water

Geothermal Heat Pump

Small Wind-Energy Systems

For more information and updates that affect tax credits for energy efficient home improvements and residential renewable energy visit: www.LSUAgCenter.com/Rebuilding and www.energystar.gov.

Blue Section: **Tax Credits in this section have a $1,500 maximum per homeowner for all home improvements combined.**

Building Envelope

The term "building envelope" refers to the outer "shell" of a building. This includes walls, windows, doors, roof and floor. Every part of a house that is in contact with the outside environment falls under this category. For a home to be energy efficient, the building envelope must be insulated, sealed and protected at all penetration points. Windows, doors, walls, raised floors and roofs require special attention. When calculating tax credits, labor cost cannot be included.

Air sealing products. The correction of leakage points in the exterior shell of air-conditioned homes is first priority, even before insulation. Weather stripping, caulk and other similar products stop airflow through attic access doors, pipe and electrical penetrations, fireplaces, recessed lights, windows, doors and other vulnerable areas. Tax credit is 30 percent of materials cost, up to $1,500.

Insulation. For insulation to qualify, its primary purpose must be to insulate and it must meet 2009 IECC and Amendments. Tax credit is 30 percent of materials cost, up to $1,500.

Energy Star qualified metal and asphalt shingle roofing products. An energy-efficient roofing system keeps solar heat out of your home. Reflective roofing materials reflect the sun's rays away from your home, keeping your home cooler and reducing your air-conditioning bills. Tax credit is 30 percent of the materials cost, up to $1,500.

Energy Star windows and skylights and IECC storm windows. Including these products in new homes is highly cost-effective, but the question of whether to replace windows in existing homes is harder, because the "payback" can be long compared to other energy-efficiency changes. Weigh your options carefully. Tax credit is 30 percent of the cost, up to $1,500.

IECC exterior door and storm doors. Tax credit is 30 percent of the cost, up to $1,500.

Building Envelope Products	Tax Credit Specifications	Tax Credit
Insulation	Meets 2009 IECC and amendments.	30% of materials cost up to $1,500
Metal roofs Asphalt shingle roofs	Metal roof – has appropriate pigmented coating to reduce heat gain Asphalt shingle roof – shingles contain cooling granules	
Exterior windows and skylights	U factor ≤ 0.30 SHGC ≤ 0.30	
Storm windows	Meets IECC in combination with the exterior window over which it is installed, for the applicable climate zone.	
Exterior doors	U factor ≤ 0.30 SHGC ≤ 0.30	
Storm doors	In combination with a wood door assigned a default U-factor by the IECC, and does not exceed the default U-factor requirement assigned to such combination by the IECC.	

Heating and Air Conditioning

Be sure to work with a contractor who performs a detailed Manual J load calculation to size your new system properly, especially when you make energy-efficiency upgrades. Moisture concerns are crucial in warm, humid climates, and oversized systems make humidity problems worse.

Heating and Air Conditioning Products	Tax Credit Specifications	Tax Credit
Central air conditioner	Split systems: Rated EER ≥ 13 SEER ≥ 16	30% of cost up to $1,500 Tax credits for this section also apply to the labor costs to assemble and install.
	Package systems: Rated EER ≥ 12 SEER ≥ 14	
Air-source heat pumps	Split systems: HSPF ≥ 8.5 EER ≥ 12.5 SEER ≥ 15	
	Package systems: HSPF ≥ 8 EER ≥ 12 SEER ≥ 14	
Gas, propane or oil hot water boilers	AFUE ≥ 90	
Advanced air handlers	No more than 2% of furnace total energy usage	
Biomass stoves	Thermal efficiency rating of at least 75%	
Natural gas or propane furnace	AFUE ≥ 95	
Oil furnace	AFUE ≥ 90	

Water Heaters

Most qualified units are "on-demand" or tankless systems, which save the energy used to keep a tank heated all the time and save space normally used for a tank. "Storage" (tank) water heaters are less expensive and are becoming more energy efficient. The payback on a tankless water heater might be considerably longer than a highly efficient storage model. The Energy Star Web site (www.energystar.gov) has valuable information to help you decide which type of water heater to select.

Electric heat pump water heater:
Energy Factor (EF) ≥ 2.

Gas, electric and propane water heaters:
Energy Factor ≥ 0.82 or a thermal efficiency of at least 90 percent. Includes whole-house, tankless water heaters.

Water Heater Type	Tax Credit Specifications	Tax Credit
Natural gas-, propane- or oil-fueled water heaters	Energy Factor ≥ 0.82 or a thermal efficiency of at least 90%	30% of cost up to $1,500 tax credits for this section also apply to the labor costs to assemble and install.
Electric heat pump water heaters	Energy Factor ≥ 2.0	

Green Section: Renewable energy improvements are NOT subject to the $1,500 cap.

Renewable Energy — no maximum

Solar electric (photovoltaic). To minimize the size and cost of photovoltaic (PV) panels or other renewable energy systems to produce electricity for your home, it is wise to first maximize the overall energy efficiency of the home. Check on net-metering in your area, which allows you to benefit when your PV system produces more energy than needed. PV systems can include batteries if desired. They can be a good solution for remote areas and can provide backup power in emergencies. Rooftop panels and pole-mounted systems are increasingly available, affordable and wind-resistant. **Place in service before Dec. 31, 2016.**

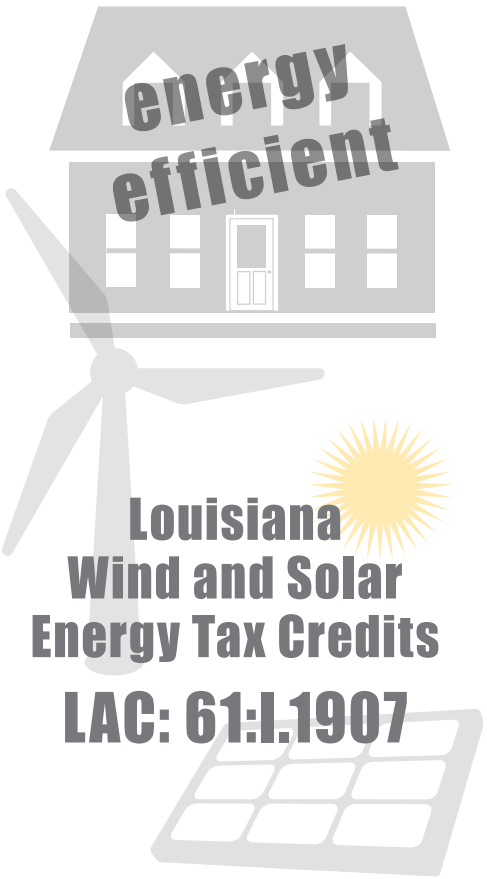
Solar hot water. This is the most cost-effective first step toward active solar energy use in a home. Must be placed in service before 12/31/2016.

Geothermal heat pump. Ground-source heat pumps must meet the Energy Star criteria. Closed-loop systems are preferred because they conserve water. The wells for these systems make them more expensive initially, but their very high efficiency, long life and low maintenance make them highly cost-effective over the life of the system.
Applies to:

Geothermal Heat Pump: Tax credit is 30 percent of the cost. Place in service before Dec. 31, 2016.
Closed Loop: EER ≥ 14.1 COP ≥ 3.3
Open Loop: EER ≥ 16.2 COP ≥ 3.6
Direct Expansion: EER ≥ 15 COP ≥ 3.5

Small wind energy systems. Tax credit is 30 percent of the cost. Place in service before Dec. 31, 2016.

Renewable Energy Type	Tax Credit Specifications	Tax Credit
Solar electric (photovoltaics or PV)	The system must be certified by the Solar Rating and Certification Corporation (SRCC). Photovoltaic systems must provide electricity for the residence and must meet applicable fire and electrical code requirement.	30% of expense to purchase and install during the calendar year it is installed
Solar hot water	The system must be certified by the Solar Rating and Certification Corporation (SRCC), produce at least half of the home's hot water usage and **NOT** be connected to swimming pools or hot tubs. Credit only applies during the calendar year it is installed.	30% of expense to purchase and install
Geothermal heat pump	Must meet criteria of ENERGY STAR. Credit only applies during the calendar year it is installed.	30% of expense to purchase and install
Wind systems	Credit only applies during the calendar year it is installed.	30% of expense to purchase and install
Fuel cells and microturbines	Fuel cells must have an efficiency of at least 30% and must have a capacity of at least 0.5 kW.	30% of expense to purchase and install up to $1,500 for each 0.5 kW of power capacity



New Home Tax Credit for the Builder

A tax credit of $2,000 is available to builders on their taxes (under the Energy Policy Act of 2005) if the home achieves 50 percent energy savings for heating and cooling over the 2004 International Energy Code and supplements. At least one-fifth of the energy savings must come from the building envelope improvements.

Louisiana State Tax Credits

Wind and Solar Energy Tax Credits: LAC: 61:I.1907

Renewable energy income tax credit: 50 percent of the first $25,000 spent on wind or solar energy system

The state of Louisiana has enacted a renewable energy income tax credit toward the purchase and installation of solar and wind energy systems purchased and installed on or after January 1, 2008. The credit is for 50 percent of the first $25,000 spent on the purchase and installation of a wind or solar energy system.

Note: When applying for the federal tax credits or any other incentive for wind and solar systems, the federal 30 percent credit is added to the state's 50 percent tax credit for a total of 80 percent income tax credit.

Any excess credit that exceeds the tax-payer's liabilities for that year shall be treated as an overpayment, and the Louisiana Department of Revenue will issue a refund for the remaining amount within one year of receiving the claim.

Important information can be found at the Louisiana Department of Revenue's Web site (**www.revenue.louisiana.gov**) concerning qualification for the state tax credits. Look under the heading Declaration of Emergency, Department of Revenue, Wind and Solar Energy Tax Credits. LAC: 61:I.1907.

These are general guidelines. Consult your individual tax adviser for specific details relating to your situation.

Visit our Web site: www.lsuagcenter.com/rebuilding

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Contact: Steve Picou, Area Housing Agent, LSU AgCenter South Central/Crescent Region

LSU AgCenter
Visit our Web site: **www.lsuagcenter.com**

Louisiana State University Agricultural Center
William B. Richardson, Chancellor

Louisiana Agricultural Experiment Station
David J. Boethel, Vice Chancellor and Director

Louisiana Cooperative Extension Service
Paul D. Coreil, Vice Chancellor and Director

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