

Solutions for A Sustainable Future

2011 Tax Credits



It's over Johnny. It's over!

It's all Over. We can all say goodbye to the lucrative home improvement tax credits, that paid 30% of the cost of many energy efficiency projects, up to \$1,500, expired Dec. 31, 2010. As of Dec. 17, 2010 the federal energy efficiency tax credit has been extended through 2011, but the federal government has significantly changed the credit limits and eligibility requirements.

For energy efficiency measures installed between January 1, 2011 and December 31, 2011, the credit is no more than 10% energy efficiency improvement costs, up to a maximum of \$500. Special credit limits have been put on certain qualifying equipment. For example:

- High efficiency furnaces and boilers – \$150
- Air Conditioners and heat pumps - \$300
- Main air circulating fans – \$50
- ENERGY STAR Windows – \$200
- Energy efficient water heaters – \$300

The \$500 cap will apply to anyone who received the credit from Jan. 1, 2005 to present. Thus if you've claimed a cumulative credit of \$500 or more of the tax credit since Jan. 1, 2005, you won't be eligible for the 2011 extension. If you've claimed less than \$500, you are eligible for the difference with qualifying measures

Certain renewable energy tax credits for solar PV, solar hot water, and geothermal, for example, remain in place.

“Dear Mr. Comfort”

How do I claim the tax credit?

You will need to include IRS Form 5695 (which isn't yet available for 2011) when you file your taxes. You need to keep receipts proving that you purchased the improvements

between 1/01/2011 and 12/31/2011 and a copy of the manufacturer's certification, which your contractor should be able to provide. Consult your accountant or tax preparer for additional guidance.

Q: How much is the tax credit for?

A: For most improvements, the tax credit is 10% of the cost, up to \$500 Note: The recent 2010 Tax Credit expired on December 31, 2010 for 30% of the cost up to \$1,500.

Q: Does that include labor and material?

A: For improvements on the Shell of your home, (windows, doors, roofing and insulation), the tax credit covers the 10% of cost of materials only. Improvements such as new HVAC systems, heat pumps and boilers will cover 10% of the total installed cost, both labor and material costs. These are subject to certain caps. For example, furnaces and boilers are eligible for \$150 and windows, \$200.

Q: What about renewable energy sources?

A: Solar water heaters, solar panels, and geothermal heat pumps are eligible for a 30% tax credit for labor and material cost with NO cap on the credit.

Q: What if I made improvements before 2011, will a tax credit apply?

A: Unfortunately no, the tax credit only applies to energy improvements installed after January 1, 2011. You may be eligible for a credit on a prior year's return. In 2011 the credit only applies if you have not received more than \$500 in credits since 2006. And you cannot exceed \$500 in aggregate credits since 2006.

FYI: For example, if you claimed \$900 in credit in 2010, you are not eligible for the 2011 credit. If you claimed \$100 in 2007, and \$250 in 2009, you may be eligible for a credit of up to \$150 on qualifying measures.

Q: When do the tax credits expire?

A: December 31, 2016 for renewable energy sources and December 31, 2011 for all other energy-efficiency improvements.

Q: Could this apply to my second property?

A: This is applicable to the taxpayers Primary Residence only. Solar water heaters, solar panels, and geothermal heat pumps may apply to second homes or rentals.

Q: What about energy-efficient appliances?

A: Federal tax credits **do not** apply to small appliances. Local state and city credits may be available.

Q: Can I use the Federal tax credits in 2009, 2010, and 2011?

A: Yes, but the Federal tax credit has a lifetime cap of \$500 on efficiency measures (you may have exceeded that in 2009 or 2010).except for renewable energy sources. Therefore, once you reach the \$500 limit, you can no longer apply the tax credit.

Home Improvements

For 2011, tax credits are now available for energy-saving home improvements:

- Energy-efficiency improvements must be installed from January 1, 2009 through December 31, 2011 (renewable energy projects go through 2016—Hint: go for efficiency first!)
- For energy-efficiency, improvement must be for taxpayer's principal residence.
- For renewable energy projects (geothermal heat pumps, solar water heaters, solar PV, and wind) second homes and rentals qualify.
- \$500 is the maximum total amount that can be claimed for all products placed in service in 2011 for most energy-efficiency improvements, but qualifying renewable energy projects are not subject to this cap.
- Save your receipts and the "Manufacturer Certification Statement" (your contractor should be able to supply this) for tax record keeping purposes.
- Improvements made in 2010 will be claimed on your 2010 taxes (filed by April 15, 2011) — use IRS Tax Form 5695 (2010 version) under the 2010 requirement.
- Improvements made in 2011 will be claimed on your 2011 taxes, filed by April 15, 2011.

I am Jim Steigner (Mr. Comfort), and I just wanted you to know. As always please keep the thoughts and questions coming to www.mrcomforthvac.com under the “Ask Mr. Comfort” Section.