

Go Green, Save Green

Federal and state energy-related tax incentives

(Updated December 2009)



Investing in renewable energy and energy efficient home improvement projects may help stimulate our economy and earn you some energy-related tax breaks. The 2009 Recovery and Reinvestment Act signed last February extended and added to many of the incentives existing before. Work completed in 2009 earns credits on tax returns filed in 2010.

A tax credit is generally more valuable than an equivalent tax deduction because a credit lowers your taxes dollar-for-dollar, while a deduction lowers your taxable income.

Verify all tax-related information with a tax advisor.

This chart reflects a summary of available tax credits on both the federal and North Carolina (as noted) levels for energy-efficiency projects or purchases. For more detailed information on federal energy-related tax incentives, visit: www.energystar.gov. Information on state tax incentives can be found at www.dsireusa.org.

Project	Requirements	Incentive	Fine Print
Exterior windows & doors, skylights.	U factor (heat loss) ≤ 0.30 SHGC (block solar heat) ≤ 0.30	Federal tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	Installation costs not included. Does not apply to new home construction. Not all Energy Star models qualify.
Storm windows & doors	In combination exterior window over which it is installed. Must meet International Energy Conservation Code (IECC). U factor (heat loss) ≤ 0.30 SHGC (block solar heat) ≤ 0.30	Federal tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	Installation costs not included. Does not apply to new home construction.
Metal roofs, asphalt roofs	Energy Star qualified metal & asphalt.	Federal tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	Installation costs not included. Does not apply to new home construction.
Insulation	Primary purpose must be to insulate. Must meet IECC.	Federal tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	Installation costs not included. Does not apply to new home construction.
Central A/C	Split Systems: Energy Efficiency Ratio (EER) ≥ 13 Seasonal Energy Efficiency Ratio (SEER) ≥ 16 Package Systems: EER ≥ 12 SEER ≥ 14	Tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	Does not apply to new home construction. Not all Energy Star models qualify.

Project	Requirements	Incentive	Fine Print
Air source heat pumps	<p>Split Systems: HSPF\geq8.5 EER\geq12.5 SEER\geq15</p> <p>Package Systems: HSPF\geq8 EER\geq12 SEER\geq14</p>	Federal tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	Not all Energy Star models qualify.
Geothermal heat pump	All Energy Star geothermal heat pumps qualify.	Federal tax credit equal to 30% of cost. NC credit equal to 35% of cost up to \$8,400. Not subject to \$1,500 cap.	Place in service by Dec. 31, 2016.
Water heater (electric heat pump)	Energy factor \geq 2.0.	Federal tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	Does not apply to new home construction.
Water heater (solar)	<p>At least half of the energy generated by the solar water heater must come from the sun.</p> <p>Water must be used in dwelling.</p> <p>Must be certified by the Solar Rating Certification Corporation (SRCC).</p> <p>For N.C. property tax exemption, the system must be new.</p>	Federal tax credit equal to 30% of cost. Not subject to \$1,500 cap. N.C. credit equal to 35% of cost up to \$1,400 per dwelling. For domestic water or pool and up to \$3,500 for combined active space and hot water.	<p>Place in service by Dec. 31, 2016.</p> <p>Federal credit does not apply to swimming pools or hot tubs heaters. NC credit allows pools.</p> <p>For NC property tax exemption, system must be new. Allows no more than the amount of conventional equipment.</p>
Biomass stoves	Uses any plant-derived renewable fuel (wood, farm products, etc.) to heat home or water. Thermal efficiency rating \geq 75%.	Federal tax credit equal to 30% of cost, up to \$1,500 for all improvements combined.	
Photovoltaic (solar electric) systems	Must provide electricity for the residence and meet fire and electrical code requirements.	Federal tax credit equal to 30% of cost. Not subject to \$1,500 cap. NC credit equal to 35% of cost up to \$10,500.	Must be new to qualify for NC credit. Place in service by Dec. 31, 2016.
Small wind energy systems	New systems only with capacity of 100 kw or less.	Federal tax credit equal to 30% of cost. Not subject to \$1,500 cap. NC credit equal to 35% of cost up to \$10,500.	Place in service by Dec. 31, 2016.
Fuel cells	Efficiency of at least 30%, capacity at least .5 kw.	Federal tax credit equal to 30% of cost up to \$500 per .5 kw of capacity.	



A few guidelines

- Unless otherwise noted, the tax credit includes cost of equipment and original installation costs.
- Must be for taxpayer's principal residence.
- Maximum for 2009 and 2010 for all improvements combined is \$1,500 (except geothermal heat pumps, solar water heaters, solar panels, fuel cells and wind power systems, see table).
- For tax purposes, the Manufacturer's Certification Statement and receipt are generally required. For Energy Star products, save the label.
- New home construction cannot claim credits for windows, doors, insulation, roofs, HVAC (except geothermal), non-solar water heaters.
- For state tax credits, the allowable credit cannot exceed 50% of the taxpayer's tax liability for the year reduced by the sum of all other credits. Unused portions of the credit may be carried over for the next five succeeding years.
- Verify all tax-related information with a tax advisor.