

Go Green, Save Green

Federal and state energy-related tax incentives

(Updated March 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 in February extended and added to many of the incentives existing before. These incentives go into effect this year.

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 levels for energy-efficiency projects or purchases. For more detailed information on federal energy-related tax incentives, visit: www.energystar.gov. Find information on state tax incentives at www.dsireusa.org.

Project	Requirements	Incentive	Fine Print
Exterior windows & doors, skylights.	Meets International Energy Conservation Code (IECC) or Energy Star qualified product. U factor (heat loss) ≤ 0.30 SHGC (block solar heat) ≤ 0.30	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 with approved wood door or window.	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 roof expected to last 5 years or have a 2-year warranty.	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 be expected to last 5 years or have a 2-year warranty.	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>	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.
Geothermal heat pump	All Energy Star geothermal heat pumps will qualify.	Federal tax credit equal to 30% of cost. Not subject to \$1,500 cap	Place in service by Dec. 31, 2016.
Water heater (electric heat pump)	Energy factor \geq 2.0.	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 up to \$1,400 per dwelling.	<p>Place in service by Dec. 31, 2016. Federal credit does not apply to swimming pools or hot tubs heaters.</p> <p>For N.C. 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%.	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.	Must be new to qualify for N.C. tax credit. State tax credit equal to 35% of cost. Will not exceed \$10,500 (incentive varies by technology).
Small wind energy systems	New systems only.	Federal tax credit equal to 30% of cost. Not subject to \$1,500 cap. N.C. tax credit equal to 35% of cost of wind system constructed (up to \$10,500).	



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.