

Incentives for Energy-Efficiency & Renewable Energy (Residential)



ENERGY POLICY ACT 2005 (INCLUDING 2006 AMENDMENTS)

The Energy Policy Act 2005 includes tax incentives to promote energy efficiency and renewable energy.

ENERGY-EFFICIENCY

Tax incentives are available for installing high-efficiency equipment or making improvements. Efficiency improvements and/or equipment must be placed in service from January 1, 2006 through December 31, 2008. Homeowners may receive a tax credit of up to 10% of the cost of making energy efficient improvements in a given tax year.

Condominiums are eligible for tax credits for energy-efficiency improvements made between January 1, 2006 and December 31, 2008. The amount of the credit for each owner is computed based on a proportion of the total cost allocated to each condominium unit.

RENEWABLE ENERGY

Homeowners are also eligible for tax credits for the purchase and installation costs of solar water heating, photovoltaic system, and fuel cells system. A homeowner may receive a tax credit of 30% (maximum \$2000) of the installed system, installed between January 1, 2006 and December 31, 2008. The tax credit is available for systems placed on homeowners' primary residence. There is a \$2,000 cap on the total credit per home for each type of system. The tax credit and cumulative cap for solar energy systems are separate from the tax credits available for energy efficiency tax credits and passenger vehicles. Condominium residents can claim their proportionate share of the credit.

AUTOMOBILES

Individuals who buy a new hybrid gas-electric car or truck are eligible for, and can receive, an income tax credit of \$250-\$3,400 depending on the fuel economy and the weight of the vehicle. Hybrid vehicles that use less gasoline than the average vehicle of similar weight and that meet an emissions standard qualify for the credit. "Lean-burn" diesel vehicles could also qualify, but currently available diesel vehicles do not meet the emissions standard. There is a similar credit for alternative-fuel vehicles and for fuel-cell vehicles. If an individual buys more than one vehicle, they are eligible to receive a tax credit for each. This tax credit is for vehicles "placed in service" beginning January 1, 2006. This tax credit will be phased out for each manufacturer once that company has sold 60,000 eligible vehicles.

OTHER INCENTIVES

☀ Residential Energy Conservation Subsidy Exclusion (Personal)

Energy conservation subsidies provided by public utilities, such as Xcel Energy, either directly or indirectly, are nontaxable.

Energy conservation measure includes installations or modifications primarily designed to reduce consumption of electricity or natural gas, or improve the management of energy demand. Eligible dwelling units include houses, apartments, condominiums, mobile homes, boats and similar properties.

There is strong evidence that utility rebates for residential solar thermal and solar electric projects may not be nontaxable. However, the IRS has not ruled definitively on this issue. If you are considering this provision for renewable energy systems, consultation with a tax attorney is advised.

Product Category	Product Types	Tax Credit Specification	Tax Credit	Notes
Building Shell (new homes)	Exterior Windows & Skylights	Must meet 2000 International Energy Conservation Code (IECC) model energy code. ENERGY STAR windows will almost always qualify	10% of cost, up to \$200	Only materials (insulation, windows, etc.) are eligible for the tax credit. The cost of labor to install the materials does not qualify. Individual retailers should be able to tell you if a specific product qualifies.
	Storm windows	Must meet 2001 IECC model energy code when combined with existing windows	10% of cost, up to \$200	
	Exterior Doors	Must meet 2001 IECC model energy code	10% of cost, included in cumulative cap	
	Insulation	Must meet 2001 IECC model energy code	10% of cost, included in cumulative cap	
	Pigmented Metal Roofs	ENERGY STAR qualified	10% of cost, included in cumulative cap	
	Air Sealing	Sealing cracks in building shell and ducts consistent with IECC	10% of cost, included in cumulative cap	
Renewable Energy Systems	Solar Water Heating	The system must use solar power to provide at least half of a home's hot water and be certified by the Solar Rating and Certification Corporation (SRCC) or a comparable entity endorsed by the State government.	30% of cost, up to \$2,000	The credit is not available for expenses for swimming pools or hot tubs. The water must be used in the dwelling.
	PV Systems	PV systems must provide electricity for the residence, and must meet applicable fire and electrical code requirement		A \$.20/watt DC rebate is also available to Xcel Energy customers.
	Fuel Cells	Efficiency of at least 30% and must have a capacity of at least 0.5kW.	30% of cost or \$1000 per 1kW of power that can be produced	

LEARN MORE

The Energy Policy Act of 2005 <http://www.energy.gov/taxbreaks.htm>

Energy tax incentives www.energytaxincentives.org

Tax credits for high efficiency and hybrid vehicles www.aceee.org/transportation/hybtaxcred.htm

Various incentives in Colorado <http://www.dsireusa.org/library/includes/map2.cfm?CurrentPageID=1&State=C&O&RE=1&EE=1>