

Going Green May Save You Money on Both Your Energy Bills and Your Tax Return

The American Recovery and Reinvestment Act provides tax incentives for individuals to invest in energy-efficient products. Taxpayers who take energy saving steps may get a bigger tax savings.

The following are some key points about the **Nonbusiness Energy Property Credit**:

- The new law increases the credit rate to 30 percent of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 claimed for 2009 and 2010 combined.
- The credit applies to improvements such as adding insulation, energy-efficient exterior windows and doors, energy-efficient heating and air conditioning systems, and certain metal and asphalt roofs.
- The improvements must be made to the taxpayer's principal residence located in the United States (must be existing home).
- Qualifying improvements must be placed into service after December 31, 2008, and before January 1, 2011.

The following are some key points about the **Residential Energy Efficient Property Credit**:

- The new law removes some of the previously imposed maximum amounts and allows for a credit equal to 30 percent of the cost of qualified property.
- The credit is available to help individual taxpayers pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines.
- Both existing homes and new construction qualify.
- Both principal residences and second homes qualify (rental property does not qualify).
- Qualifying improvements to the taxpayer's home in the United States must be placed in service before January 1, 2017.

Homeowners who have been considering some energy efficient home improvements may find these tax credits will result in bigger tax savings.

Form 5695, *Residential Energy Credits*, is used to claim the credits. Use Part I of Form 5695 to claim the **Nonbusiness Energy Property Credit** and Part II of Form 5695 to claim the **Residential Energy Efficient Property Credit**. Taxpayers must claim the credit on the tax return for the year that the improvements are made.

- Manufacturers must certify that their products meet new standards and they must provide a written statement to the taxpayer such as with the product packaging or in a printable format on the manufacturers' Web site.
- Taxpayers should keep a copy of the manufacturer's certification statement and receipts with their other important tax records.

Please note, not all ENERGY STAR products qualify for a tax credit. For detailed information about qualifying improvements, visit the U.S. Department of Energy's [EnergyStar Web site](#) and the [EnergyStar Frequently Asked Questions site](#).

For more information on the **Nonbusiness Energy Property Credit**, the **Residential Energy Efficient Property Credit**, and other key tax provisions of the Recovery Act, visit the official IRS Website at www.irs.gov/recovery. **Form 5695** and Instructions are available for download on IRS.gov and include more details on these energy credits.



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