

2009 HVAC Tax Credit!

On February 16, 2009, the President Obama is expected to sign the American Recovery and Reinvestment Act of 2009 (ARRA) into law. The bill combines spending and tax incentives designed to get the American economy moving again by investing in our nation's road and energy infrastructure, and increasing the energy efficiency and performance of America's homes and commercial buildings.

Specifically for HVAC contractors, the new law makes important changes to existing tax incentives for homeowners who make qualified improvements of higher efficiency HVAC and water heating equipment to their primary residences.

Residential Tax Credit Details

Larger Tax Credit

For qualified improvements (see list below), homeowners may be able to claim tax credits equal to 30% of the installed costs (up to \$1,500).

Longer Term

The new tax credits are retroactive to January 1, 2009, and expire on December 31, 2010. The \$1,500 limit is for all improvements made during the two year term, not \$1,500 each year.

Per-Appliance Caps Removed

Homeowners may use the entire \$1,500 tax credit limit on a single qualifying improvement. The previous per-appliance caps that limited the homeowner to just \$150 for a high efficiency furnace or \$300 for a high efficiency central air conditioner or heat pump have been removed.

Lifetime Limit Removed

Homeowners that previously claimed tax credits in 2006 or 2007 are eligible for the full \$1,500 limit.

Expanded Geothermal Tax Credits

Homeowners who install geothermal heat pump systems may be able to claim up to 30% of the installed costs in tax credits in the year the system is placed into service. The \$2,000 tax credit limit has been removed. The geothermal tax credit has a longer term, from January 1, 2009 and expires December 31, 2016.

HVAC contractors should be aware that the \$1,500 limit applies to many types of energy efficient home improvements, including windows and doors, roofing shingles, and insulation. All of these contractors will be competing for the work related to these tax credits.

If you are preparing marketing materials, make sure you include information about these tax credits.

What other types of energy efficiency improvements qualify for the tax credits?

Homeowners may be able to qualify for the tax credits if they make qualified improvements to: windows and doors including skylights, storm windows and storm doors; roofing including metal and asphalt roofs; and insulation. All of these improvements qualify, but homeowner may only claim \$1,500 in total for any improvements.

Should I promise the homeowner that they will definitely qualify for the tax credit?

No. Each taxpayer's situation is different. You may not know if the taxpayer has already made other improvements that qualify, or if their tax situation will change by the end of the tax year. But to be safe, you can always say "by installing qualified equipment, the taxpayer may be qualified to claim of 30% of the installed costs (up to a \$1,500 limit) in tax credits."