

From: Outer Banks Heating & Cooling

Date: February 23, 2009

Subject: American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009. As a result of this Act, American taxpayers will receive tax credits of up to \$1500 to help offset the costs of certain qualified home energy conversation investments. These qualified investments are defined by the Internal Revenue Service and include various models of Heating, Ventilation, and Air Conditioning (HVAC) equipment that fall into the following categories:

- **Gas furnaces with an AFUE rating of 95 or higher**
- **Split air conditioners with efficiency ratings of 16 SEER/13 EER or higher**
- **Split heat pumps with efficiency ratings of 15 SEER/12.5 EER/8.5 HSPF or higher**
- **Packaged air conditioners with efficiency ratings of 14 SEER/12 EER or higher**
- **Packaged heat pumps with efficiency ratings of 14 SEER/12 EER/8 HSPF or higher**

We have compiled a list of resources to help you better understand this Act and how it can help you prepare for your marketing efforts.

www.acca.org

<http://www.recovery.gov/>

http://www.energystar.gov/index.cfm?c=products.pr_tax_credits#c3

Frequently Asked Questions are reprinted from the Air Conditioning Contractors of America (ACCA) Website

<http://www.acca.org/article.php?id=323>

Frequently Asked Questions:

Can the homeowner claim \$1500 in tax credits for improvements made in 2009 and again for improvements made in 2010?

No. Taxpayers may only be eligible for a total of \$1500 in tax credits for improvements made in the combined two year period of 2009 and 2010.

Can a homeowner use the entire \$1500 limit as a credit toward the installation of one appliance?

Yes. A homeowner may use the entire \$1500 in tax credits for installing a single appliance, such as a qualified furnace, air conditioner or heat pump. If a homeowner replaced several appliances at the primary residence (IE: Two Air conditioning systems, etc), the maximum credit will still be \$1500.

What happens if the 30% of the installed costs is less than \$1500?

The homeowner can “bank” the remaining available tax credit for other qualified improvements. Any single installation that costs more than \$5000 will instantly reach the \$1500 limit.

Does the tax credit apply to the cost of the equipment or equipment plus labor?

The tax credit applies to the installed costs of the qualified equipment, which includes labor.

How will a taxpayer claim the credit and receive their money?

In the past, the IRS has directed taxpayers to use Form 5695 Version 2009 (expected to be available towards the end of 2009), Residential Energy Efficient Property Credit. Taxpayers are not required to file anything more than the form, but are instructed to keep records of their installation.

What’s the difference between a tax credit and a tax deduction?

As a tax credit applies against the taxpayers’ liability. A tax deduction applies against a taxpayer’s income, lowering the adjusted gross income and possibly moving the taxpayer to a lower tax bracket. Tax credits have a greater benefit to a taxpayer.

With a tax credit, if the taxpayer owes \$2000, in taxes, their liability is reduced to \$500. If they owe nothing, they can expect a \$1500 refund.

What if the homeowners already claimed \$500 in tax credits in 2006 or 2007?

The “lifetime caps” that used to be in place have been removed. Any previous claims do not count against the current \$1500 tax credit limit.

Can a homeowner claim the credit for improvements to a second home?

No. The tax credit is only available for improvement to the taxpayer’s primary residence.

Can a small business that operates out of a townhouse and installs residential equipment in a commercial setting claim the credit?

No. The tax credit may only be claimed by taxpayers on their personal income taxes for improvements to their primary residence.

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 \$1500 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."

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