Tax Credit FAQ's

The following information is provided as a quick, general reference for questions relating to the American Recovery and Revitalization Act of 2009 (ARRA) as it relates to tax credits involving heating and cooling products or systems installed in residential, single-family homes. Conditions vary regarding eligibility for claiming tax credits so it is strongly suggested that interested homeowners consult a tax professional. Additional information can be found at www.energystar.gov.

What are the minimum qualifying criteria for residential heating and cooling systems to receive tax credits?

The criteria for qualifying residential heating and cooling systems and products under Section 1121 of the ARRA legislation are as follows.

- A natural gas, propane, or oil furnace rated at 95.0% AFUE or higher
- A central air conditioner that achieves 16 SEER or higher and 13 EER or higher rating
- An electric air source heat pump that achieves 15 SEER or higher and 12.5 EER or higher, 8.5 HSPF or higher rating.

What are the program dates for tax credits?

The current guidelines suggest that any qualifying heating or cooling product or system must be placed in service from January 1, 2009 through and including December 31, 2010.

How do homeowners claim the tax credits?

Before filling for tax credits on any qualified heating and cooling product or system, it is always recommended that homeowners consult with a tax professional to review the provisions of the ARRA. Taxpayers should keep copies of invoices and receipts to document their actual expenditures and copies of the heating and cooling equipment manufacturer's certification statement certifying that the equipment qualifies for the tax credit.

What is a non-refundable tax credit?

Most, but not all, tax credits are referred to as non-refundable credits. A non-refundable credit is a tax credit that can reduce your tax liability to zero (0), but not below. You must have tax liability to claim a non-refundable tax credit.

Can a homeowner claim a total of $1500 in tax credits for improvements made during 2009, and then claim tax credits of up to $1500 for more improvements made in 2010?

No, homeowners are eligible for a total of up to $1500 in tax credits for improvements made over the combined two year period. Claims made beyond the $1500 tax credit limit are not eligible.

What if 30% of the installed cost is less than the $1500 limit?

The homeowner can maintain the remaining amount of the available tax credit towards the cost of other qualified improvements during the two year period. Any single qualifying product for which the installed cost is more than $5000 will instantly reach the $1500 limit.

Does the tax credit apply to the cost labor to install the qualifying system or product?

Yes, the tax credit applies to the installed cost of the equipment that qualifies for the tax credits, and includes labor cost associated for that specific installation.

Can a homeowner use the $1500 tax credit towards a single heating and cooling system or product installation?

Yes, a homeowner may use the entire $1500 in tax credits for installing a single qualified heating and cooling system or product, such as a furnace, an air conditioner, or a heat pump.

Can a homeowner claim tax credits for improvements to a home that isn't their primary residence?

No, the tax credit program is only available for improvements made to the taxpayer's primary residence or home.

Do "Energy Star" Certified products meet the requirements for these tax credits?

Most ENERGY STAR rated heating and cooling systems or products do meet the criteria for ARRA tax credits, but not all of them do. Please refer to the qualifying criteria as displayed on the Energy Star website and the criteria for the federal tax credits at www.energystar.gov.

Are all heating and cooling systems or products eligible for tax credit qualification?

No. The homeowner will need to make this determination. The installing dealer/contractor will likely not have complete information regarding the homeowner's specific tax credit claims to date. The installing dealer/contractor should always advise homeowners to refer to the applicable IRS forms and regulations.

What if a homeowner has already claimed tax credits under the provisions of the Emergency Economic Stabilization Act of 2008 for 2009 that may no longer qualify for tax credits?

The ARRA replaces all of the provisions of any previous tax incentives for qualifying heating and cooling products and systems. Refer to the appropriate IRS rules, regulations, and information for full details.