



## NONBUSINESS ENERGY CREDITS — IRC §25C

Under the American Recovery and Reinvestment Act of 2009, the following changes are made to the credit for 2009 and 2010:

- The credit rate is increased from 10% to 30%;
- The dollar limitations on residential energy property expenditures are eliminated (IRC §25C(b)) including:
  - \$50 for each advanced main air circulating fan;
  - \$150 for each qualified natural gas, propane, or oil furnace or hot water boiler;
  - \$300 for each item of qualified energy efficient property; and
  - \$200 for windows.
- The lifetime limitation of \$500 for the credit has been eliminated;
- The provision under which expenditures made from subsidized energy financing weren't allowed has been eliminated.

With the elimination of the \$500 lifetime limit, everyone is now a "first-time" energy buyer. Instead, the credit is now limited to \$1,500 in the aggregate for 2009 and 2010. So, even if an individual took a \$500 credit in a prior year, they may still take a maximum of \$1,500 in credits.

In addition, many of the technical requirements for property qualifying for the credit have been changed (see various provisions of IRC §25C).

### *Comment*

The credit expired December 31, 2007, but was reinstated under the Emergency Economic Stabilization Act for 2009, only. As such, the credit was not available for 2008.

**No AGI limitation:** In addition to there being no AGI limitation, taxpayers can offset AMT through 2009.

**Background:** IRC §25C allows a credit equal to 30% of the cost of energy efficient improvements to a principal residence.

#### **Energy efficient improvements include:**

- Insulation systems that reduce heat loss/gain;
- Exterior windows;
- Exterior doors;
- Metal and asphalt roofs; and
- Biomass fuel stoves

For an improvement to be eligible for the credit, it must meet the following qualifications:

- The component is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence;
- The original use of such component commences with the taxpayer; and
- Such component reasonably can be expected to remain in use for at least five years.

#### **Qualified energy property includes:**

- Advanced main air circulating fan;
- Qualified natural gas, propane, or oil furnace or hot water heater; and
- Electric pumps and central air conditioners.

Eligible expenditures include installation costs. (IRC §25C(d)) There are no carryover provisions.