

New financial markets rescue law includes valuable energy tax incentives

The high cost of energy has nearly everyone looking for ways to conserve and save money, especially with colder weather coming to many parts of the country. One surprising place to find help is in the financial markets rescue package (the Emergency Economic Stabilization Act of 2008) recently passed by Congress. Overshadowed by the financial provisions are some very important energy tax incentives that could save you money at home and in your business.

While the energy tax incentives in the new law are generous, they are also complex. The names of the tax credits and deductions themselves can be daunting. Don't be put off by all the complex rules. Our office can help you navigate them and take advantage of their benefits.

Individuals

Improvements. If you are thinking of installing insulation or new energy-efficient windows and doors, you may be eligible for the residential energy property credit. This credit (also known as the Code Sec. 25C credit) gives eligible taxpayers a lifetime credit of up to \$500 for making energy-efficient improvements to their residences. Up to \$200 of the credit can be taken for the cost of windows. Besides insulation and energy-efficient windows and doors, some electric heat pump water heaters, natural gas, propane and oil furnaces, and other items qualify. The credit limits and energy-efficiency ratings are very complex so please contact our office before you make a purchase. We don't want you to miss out on a potentially valuable tax break. However, because of a quirk in the new law, the residential energy property credit is not available for 2008. However, you can take advantage of it in 2009.

Alternative energy. This credit (also known as the Code Sec. 25D credit) sounds a lot like the credit for energy efficient property but it is different. The key word in the title of the credit is "alternative." This credit rewards individuals who install certain types of alternative energy systems in their homes, particularly systems that utilize solar power and wind energy. These include solar electric, solar water heating, small wind energy, and geothermal heat pump property. Generally you must install the property before the end of 2016.

Businesses

Solar and wind power. Businesses are also eligible for some valuable energy tax breaks. Businesses that install solar energy and small wind energy property can take advantage of special tax credits that can reach as high as 30 percent. Generally, the solar or wind energy property must be used to generate electricity that heats, cools or lights a building.

Improvements. There is also a special tax deduction for energy efficient improvements made to commercial buildings. Generally, the improvements to heating, cooling, ventilation, lighting, and other qualifying systems must significantly reduce annual energy costs. Many of the new heating, cooling and lighting systems currently on the market meet these standards. If you recently installed new heating, cooling or lighting systems, you may have qualified for a tax break without even knowing it.

Manufacturers and builders. Manufacturers of energy efficient appliances, such as washing machines and refrigerators, are eligible for special tax credits. Additionally, contractors that build energy efficient homes can take advantage of tax breaks.

Transportation

In the not too distant future, you may be able to purchase a plug-in electric vehicle. In anticipation of that day, Congress created a new plug-in electric vehicle tax credit. The credit is available to everyone:

individuals and businesses. Electric plug-in vehicles could be on the market as soon as 2010 so keep this tax break in mind if you shop for one.

These are just the highlights of some of the many energy tax incentives in the new law. Please contact our office for more details.

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