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ENERGY TAX CREDITS FOR YOUR HOME

By Victor Sy, CPA

Here are some energy-related credits if you **made energy efficient improvements** to your home or **purchased energy-efficient products** last year:

Residential Energy Property Credit: This tax credit is for homeowners who make qualified energy efficient improvements to their existing homes. This credit is 30 percent of the cost of all qualifying improvements. The maximum credit is **\$1,500** for improvements. The credit applies to improvements such as adding insulation, energy efficient exterior windows and energy-efficient heating and air conditioning systems.

Residential Energy Efficient Property Credit: This tax credit will help individual taxpayers pay for qualified residential alternative energy equipment, such as solar hot water heaters, solar electricity equipment and wind turbines installed on or in connection with their home located in the United States and geothermal heat pumps installed on or in connection with their main home located in the United States. The credit, which runs through 2016, is **30%** of the cost of qualified property. ARRA (American Recovery and Reinvestment Act) removes some of the previously imposed annual maximum dollar limits.

Plug-in Electric Drive Vehicle Credit: ARRA modifies this credit for qualified plug-in electric drive vehicles purchased after Dec. 31, 2009. The minimum amount of the credit for qualified plug-in electric drive vehicles, which runs through 2014, is **\$2,500 to \$7,500**, depending on the **battery capacity**. ARRA phases out the credit for each manufacturer after they sell 200,000 vehicles.

Plug-In Electric Vehicle Credit: This is a special tax credit for two types of plug-in vehicles — certain low-speed electric vehicles and two- or three-wheeled vehicles. The amount of the credit is 10 percent of the cost of the vehicle, up to a maximum credit of **\$2,500** for purchases made after Feb. 17, 2009, and before Jan. 1, 2012.

Credit for Conversion Kits: This credit is equal to **10 percent of the cost** of converting a vehicle to a qualified plug-in electric drive motor vehicle that is placed in service after Feb. 17, 2009. The maximum credit, which runs through 2011, is **\$4,000**.

Treatment of Alternative Motor Vehicle Credit as a Personal Credit Allowed Against AMT: Starting in 2009, ARRA allows the Alternative Motor Vehicle Credit, including the tax credit for purchasing **hybrid** vehicles, to be applied against the Alternative Minimum Tax. Prior to the new law, the Alternative Motor Vehicle Credit could not be used to offset the AMT. This means the credit could not be taken if a taxpayer owed AMT or was reduced for some taxpayers who did not owe AMT.