

ENERGY CREDITS

Recently enacted tax law has expanded, extended, and added energy credits for improvements taxpayers make to property, as well as for purchasing vehicles that leave a smaller carbon footprint.

The law is full of ifs, ands, and buts. I have attempted to give you the basics in the chart below. You can always call and ask me, if you need more specifics. *I might even know the answer!*

All items listed below qualify for a 30% credit. In other words, if you spend \$1,000 you receive a tax savings of \$300, subject to the annual limits listed below.

Item	Annual Credit Limit	What qualifies	Cost of installation counts
Windows	\$600	Must meet Energy Star requirements	No
Exterior doors	\$500		No
Insulation	\$1200		No
Central air conditioner	\$600	Must meet the highest efficiency tier established by the Consortium for Energy Efficiency (CEE)	Yes
Water heaters, non-electric	\$2000		Yes
Furnaces, non-electric	\$2000		Yes
Heat pumps	\$2000		Yes
Biomass stoves	\$2000	Must have thermal efficiency rating of at least 75%	Yes
Home energy audit	\$150		
Solar panels	No limit. Can be carried forward to future years.	Can be installed on an existing home, or on a newly constructed home.	Yes
Electric vehicles	<p>This area is full of restrictions regarding where the car is assembled, where the battery components came from, MSRP maximums depending on type of vehicle, etc. Unfortunately, your best source of information for those items is going to be the car dealer.</p> <p>The maximum credit is \$7500. Leasing does not count. If your income is above \$300,000 joint, or \$150,000 single you don't qualify. Used vehicles do qualify, but your income limits are reduced by half (\$150,000 and \$75,000; the credit maximum is only \$4,000 and it must be purchased from a dealer.</p> <p>Beginning in 2024, your credit may be transferred to the dealer at time of purchase instead of claiming it on your tax return at the end of the year, thus reducing your payment. If a taxpayer does not have enough income to offset the credit, this might be a good solution because they will then get the full credit in the form of a price adjustment or rebate from the dealer.</p>		

All items listed above (except solar panels) must be replacements for a less efficient item in an existing home.

Beginning with next tax year (2024) the product number of the item must be included on the tax return. This year (2023 returns which are being prepared now) the product number is not necessary.

Roofing no longer qualifies unless it consists of solar roofing tiles and shingles serving as solar electric collectors. If a roof must be upgraded in order to support the solar panels, the new roof does not qualify; only the solar panels count.

An item cannot be claimed until it is installed. So, if purchased in December 2023, but not installed until sometime in 2024, it will be claimed in 2024.

Caution: Beware of high-pressure sales tactics and claims from solar salesmen. For example, if you don't have much of a tax obligation, you might never have enough tax to use up your entire credit.

