

# Energy Tax Savings You Didn't Know About

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The \$1,500 energy tax credit for qualifying exterior building products installed on an *existing home* in 2009 and 2010 has been well publicized.

As you know, qualifying garage doors are eligible for this tax credit.

What hasn't been so well publicized is the energy tax credit available for *new residential construction* and the energy tax deduction for *commercial buildings*.

The criteria for identifying a garage door that qualifies for the \$1,500 energy tax credit are straightforward and easy to understand. The qualifying criteria for garage doors on new home construction and commercial buildings are not.

Due to the complexity of the criteria and building-specific nature of the certifications required, garage door manufacturers and installers do not have the expertise or resources to qualify commercial buildings for energy tax savings or provide blanket certifications for new home construction.

However, we can and should continue to promote the energy-saving features of our qualifying garage door and entry door products so that customers with eligible projects can take advantage of these tax savings opportunities.

## \$2,000 Energy Tax Credit for New Home Construction

An energy tax credit of up to \$2,000 is available through the end of 2010 for new home construction that shows at least a 50 percent reduction in energy savings as compared to the 2004 International Energy Conservation Code (IECC) for a specific climate zone.

At least 20 percent of the energy savings must come from building envelope components such as entry and garage doors, windows, and siding.

The 2004 IECC has different "climate zones" for different

geographic regions of the country. For example, the energy needed in a home in Alaska is different from the energy needed in Georgia.

The new-home tax credit relies on building-specific rules and certifications to demonstrate the required energy reductions. Consider these requirements:

- Heating and cooling cost savings must be calculated per the procedure established by the Residential Energy Services Network.
- A list of the home's energy efficient building components per the IECC.
- Use of an IRS-approved computer software program.
- The new home must be certified by an "eligible certifier" who has conducted a field inspection to confirm that the building constructed is the same as the building designed.

More detailed rules and definitions can be found in IRS Notice 2006-27.

## Energy Tax Deductions for Commercial Buildings

A tax deduction (not a tax credit) of up to \$1.80 per square foot of the building is available for commercial facilities. Partial deductions are also available, based on building square footage, for qualifying exterior building products that result in energy savings.

To qualify for the full commercial tax deduction, the building must demonstrate a 50 percent or greater energy savings as compared to the minimum requirements of the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE)

Standard 90.1-2001, titled "Energy Standard for Buildings except Low-Rise Residential Buildings." Partial tax deductions can be obtained for energy reductions less than 50 percent compared to the standard. Both deductions can be applied through 2013.

The following are required to demonstrate compliance:

- A certification of the energy savings for the building made by a "qualified individual."
- The "qualified individual" must use an IRS-approved energy computation modeling program for simulation of the complete building.
- A field inspection of the building by a "qualified individual" stating that the building was constructed per the building plans used in the computer simulation.
- The building owner must receive an explanation and statement of all the energy savings features of their building and annual energy costs.
- A signed declaration from a "qualified individual" that all the above has been completed.

The IRS has a detailed definition of a "qualified individual" in IRS Bulletin 2006-26. That person must be a licensed contractor or professional engineer competent to perform the computer simulations and inspections required. ■

*Most of this information and additional links to IRS and related publications can be found at the Energy Star Web site: [www.energystar.gov/taxcredits](http://www.energystar.gov/taxcredits).*

*This article is not intended to serve as legal or tax advice, but it is meant to show the complexities of the various energy tax savings programs.*

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