



Using Financing and Tax Incentives to Help Sell the Job

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Tax Incentives

Energy Policy Act of 2005

- **Signed by President Bush August 8, 2005**
- **25 Titles, 1,724 pages**
- **First major federal energy legislation since 1992**
- **Tax incentives: \$2 billion for 2006-2007**
- **Available for commercial and residential buildings and systems**
- **Final rules not yet available**



Disclaimer

While we have made every effort to describe these tax incentives accurately, we cannot provide tax advice and suggest you contact a tax professional with any questions specific to your situation.



Commercial Tax Deductions

- **Available to owners or tenants of private commercial buildings and designers of public commercial buildings**
- **Reduce tax liability by building and designing more efficient buildings**
- **Available for buildings or systems placed in service January 1, 2006 - December 31, 2007**

Commercial Standards

- **New buildings:**

- Whole building is designed to be 50% more efficient than ASHRAE 90.1-2001.
- A building subsystem (Lighting, HVAC and Hot Water, or Building Shell) is designed to be 50% more efficient than allowable by ASHRAE 90.1-2001.

- **Existing buildings:**

- Lighting, or HVAC and Hot Water, or Building Shell is retrofit or replaced with a new system that is 50% more efficient than allowable by ASHRAE 90.1-2001.
- Lighting is retrofit or replaced with a new lighting system that is 25% more efficient than allowable by ASHRAE 90.1-2001.

Commercial Tax Deductions

Building Type	Portion of Building	Requirements	Available Tax Deductions
New Commercial Buildings	Whole Building	50% better than ASHRAE 90.1-2001	\$1.80 per sq. ft.
Existing Commercial Buildings	HVAC and Hot Water System or Building Envelope	50% better than ASHRAE 90.1-2001	\$0.60 per sq. ft.
	Interior Lighting System	25% - 50% better than ASHRAE 90.1-2001	\$0.30 per sq. ft. on a sliding scale up to \$0.60 per sq. ft.

Residential Tax Credits

- Available for homeowners and residential builders
- For building more efficient new homes and improving existing homes
- Available for new home or energy improvement work completed January 1, 2006 - December 31, 2007
- Maximum credits can be taken over the two-year period

New Home Tax Credits

- **\$2,000 credit available to builder**
- **Home must use 50% less heating & cooling energy than code (IECC)**
 - At least 10% savings from shell (i.e. not all from HVAC measures)
 - Approximately VT-HERS 88 points or National HERS 90 points (<60± on new national HERS index)
 - Many better Vermont homes already achieve this level

New Manufactured Homes Credits

- **“Mobile Homes” that meet Federal Manufactured Homes Construction and Safety Standards section 3280, title 24**
- **\$2,000 credit available to builder**
- **Meets ENERGY STAR® Homes standards**
 - Approximately 20-30% less energy than code

Existing Home Tax Credits

- **10% of upgrade cost can be taken as tax credit for building shell measures:**
 - Insulation upgrades
 - House air sealing and duct sealing
 - Exterior doors
 - Windows & skylights (with lower cap)
- **\$500 cumulative credit limit over two years for shell and any other HVAC measures**
- **\$200 credit limit for efficient windows**

Residential HVAC Equipment Tax Credits

Equipment*	Standard	Tax Credit
Central Air Conditioning	15 SEER & 12.5 or 13 EER	\$300
Air-Source Heat Pumps	15 SEER, 9 HSPF, 13 EER	\$300
Ground-Source Heat Pumps	ENERGY STAR Qualifying (must also provide water heating)	\$300
Natural Gas, Oil or Propane Furnace / Boiler	95% AFUE	\$150
Furnace Blower	ECM Motor (electricity use < 2% of total furnace site energy use)	\$50
Electric Heat Pump Water Heater	2.0 EF (Energy Factor)	\$300
Natural Gas, Propane or Oil Water Heater	0.80 EF (Energy Factor)	\$300

* For non-business applications only

Solar Tax Credits

- Available for homeowners and businesses
- For solar hot water, solar electric (photovoltaic) systems, concentrating solar power, or hybrid lighting
- 30% of system cost, up to \$2,000 cap per system for each technology
- Renewable Electricity Production Tax Credit (H.R. 1308,1992):
 - 1.9¢/kWh for wind, solar, geothermal, closed-loop biomass;
 - 0.9¢/kWh for others.
 - Applies to first 10 years of operation

Other Tax Credits

- **Efficient hybrid or diesel vehicles: up to \$3,400 credit.**
 - Based on complex formula considering vehicle weight, technology and fuel economy
 - Example: Toyota Prius credit = \$3,150
- **Fuel cells: 30% of cost up to \$1,000 per kilowatt**
- **Microturbines: up to 10% of cost up to \$200/kilowatt**
- **Geothermal business credit: 10% of cost**
- **Wind energy "Production Tax Credit" extended**
- **Accelerated depreciation for thermal process heat**



What you need to do

- **Save all your receipts and equipment documentation**
- **May need third party documentation (e.g. HERS Rating report for new homes or engineering analysis for ASHRAE 90.1)**
- **Consult the IRS or your tax advisor**

How can Efficiency Vermont help you?

- **As a technical & informational resource to Vermonters regarding EPACK**
- **We can help identify qualifying equipment & measures**
- **Vermont ENERGY STAR Homes service offers technical assistance and verifies required efficiency levels**
- **Regardless of qualification for tax incentives, Efficiency Vermont services can help you make your new or existing building more efficient.**

Resources

- **Efficiency Vermont:** www.encyvermont.com or 1-888-921-5990
- **For most complete tax incentive information:** www.energytaxincentives.org
- **Database of state incentives for renewable energy:** www.dsireusa.org
- **For information on energy efficient products:** www.energystar.gov
- **Department of Energy and the Internal Revenue Service will provide more information about the tax incentives as it becomes available.**