

**2011 FEDERAL AND STATE ENERGY TAX CREDITS UPDATE**

While the “New Energy Efficient Home Tax Credit” (45 L) has been renewed and extended through the end of 2011, the “Existing Home Retrofit Tax Credit”, 25 c, did not fare so well and has been substantially reduced.

The 45 L credit, which is the only federal incentive available that rewards efficiency in new home construction, will continue to provide \$2,000.00 in tax credits to builders and developers for the construction and sale of homes that achieve a 50% energy efficiency improvement over the 2004 IECC (International Energy Conservation Code).

On the other hand, retrofitters, remodelers, and homeowners did not fare so well in the federal tax credit arena. HR 4853 and specifically 25 c, which is the “Existing Home Retrofit Tax Credit”, has substantially shrunk from the 2009/2010 level which allowed a 30% tax credit and a maximum \$1,500, back to the 2006/2007 tax credit levels of 10% tax credit and a maximum of \$500 for all qualified retrofits. Lifetime credit caps have also been initiated which stipulate that any homeowner who has claimed \$500 or more in 25 c energy credits since January 1, 2005, will be disqualified from any further credits. Of the \$500 allowable credit, only \$200 qualifies for Energy Star window replacement (the energy qualifications have been loosened and now include Energy Star windows), it limits oil and gas furnace and boiler incentives to \$150, plus an additional \$50 for efficient furnace fans (imposing increased qualifying standards of 95% efficiency, up from 90% in 2009/2010), and limits efficient water heater and wood heating systems eligibility at a maximum \$300 credit.

Michigan’s energy tax credits passed in 2009 will continue in effect, as promised, until December 31, 2011. The “Energy Home Improvements” credit states that home improvements or appliances purchased by a taxpayer whose principal residence exemption for property taxes is allowed and has an adjusted gross income equal or less than \$37,500 single and \$75,000 for joint filers, can take a tax credit equal to 10% of the purchase price and installation of a “qualified” energy home improvement or energy efficient appliance up to \$75 for single and \$150 joint return for the following purchases: insulation, furnace, water heater, windows, refrigerators, clothes washers, and dishwashers. Only applies to purchases after December 31, 2008 and before January 1, 2012, must meet or exceed EPA Energy Star criteria, and purchaser must keep proof of equipment cost and efficiency qualifications. For example a single taxpayer with a gross income of \$36,000 who purchased and installed an appliance or home improvement from each category listed above, in the same tax year, would be entitled to a maximum credit of \$375.

In 2011 utility companies are continuing to find creative and beneficial ways to assist consumers who want to reduce their energy consumption by offering rebates and energy programs such as energy efficient appliance replacement, programmable thermostats, whole house energy audits and upgrades, and more. Utility customers are urged to contact their providers to see what incentives they might qualify for this year.

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