



2009 Stimulus Plan – How it Affects the HVAC Contractor

Dear Contractor:

President Obama's signing of the American Recovery and Reinvestment Act of 2009 (ARRA) has been passed into law on February 17, 2009. The legislation provides an extension of the consumer tax credits for certain HVACR equipment. Beginning at the date of enactment (Feb. 17, 2009), consumers can claim a \$1,500 aggregate tax credit for qualified energy efficient home improvements. The efficiency levels have been modified to reflect the highest tier of the CEE High-efficiency Specification for Residential HVAC Systems (See reverse side for qualifying equipment).

What does this mean for the contractor?

- Larger Tax credit – Homeowners may be able to claim tax credits equal to 30% of the installed costs (up to \$1,500).
- Longer Term – Credits are retroactive from January 1, 2009 to December 31, 2010. The \$1,500 limit is for all improvements made during the two-year term. **NOT \$1,500 EACH YEAR.**
- Homeowners may use the entire \$1,500 tax credit limit on a single qualifying improvement.
- Homeowners that previously claimed tax credits in 2006 or 2007 are eligible for the full \$1,500 limit.
- Expanded Geothermal Tax Credits & Solar System Tax Credits – Homeowners who install geothermal heat pump systems may be able to claim 30% of the installed costs. There is no limit to the amount of the credit.
- The geothermal tax credits have a longer term, from January 1, 2009 to December 31, 2016.
- The homeowner must obtain the manufacturer's certification of the qualified equipment, and a receipt for the installation. Many of these certificates can be found on manufacturer's websites.
- The homeowner must use IRS tax form 5695 (2009 version) to claim tax credits, which will be available late 2009, early 2010.
- The tax credit is only valid for a home that is owned by the taxpayer and used as the principle residence.
- For commercial buildings, a deduction of up to \$1.80/square foot is available to owners or designers of new or existing buildings that save at least 50% of the heating and cooling of a building that meets ASHRAE Standard 90. 1-2001.
- For commercial buildings, partial deductions of up to \$.60/square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems.
- Home builders are eligible for a \$2,000 tax credit for a new energy efficient home that achieves 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements. At least 1/5 of the energy savings must come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards.

- There is also a \$1,000 tax credit to the producer of a new manufactured home achieving 30% energy savings for heating and cooling over the 2004 IECC and supplements (at least 1/3 of the savings must come from building envelope improvements), or a manufactured home meeting the [requirements](#) established by EPA under the ENERGY STAR program.
- **IMPORTANT:** The contractor should **NOT** guarantee the amount of the tax credit. The IRS is responsible for the implementation of the legislation. We will not know exactly how this tax credit will be applied until the IRS releases its final ruling.

***Contractors be aware:** The \$1,500 limit applies to many types of energy efficient home improvements, including windows, doors, roofing shingles, and insulation. All of these contractors will be competing for the work related to these tax credits.

<u>Qualifying Equipment</u>	<u>Minimum Energy Efficiency Standard to Qualify for Tax Credit</u>		
Electric Air Source Heat Pumps	Split Heat Pumps	Package Heat Pumps	
	15 SEER	14 SEER	
	12.5 EER	12 EER	
	8.5 HSPF	8 HSPF	
Central Air Conditioners	Split System	Package System	
	16 SEER	14 SEER	
	13 EER	12 EER	
Geothermal Heat Pump	Closed Loop	Open Loop	Direct Expansion
	14.1 EER	16.2 EER	15 EER
	3.3 COP	3.6 COP	3.5 COP
Natural Gas Furnace Natural Gas Hot Water Boiler		95% AFUE	
		90% AFUE	
Propane Furnace Propane Hot Water Boiler		95% AFUE	
		90% AFUE	
Oil Furnace	90% AFUE		
Oil Hot Water Boiler	90% AFUE		
Gas, Oil or Propane Water Heaters (Includes Tankless)		.82 Energy Factor	
		90% Thermal Efficiency	
Electric Heat Pump Hot Water Heater		2.0 Energy Factor	
Wood Stoves	75% Thermal Efficiency as measured using a lower heating value.		
Solar Energy Systems	1/2 the energy generated by the property must come from the sun; Must be SRCC certified May only claim spending on <i>solar</i> water heating system, not water heating of entire house *Tax credit not available for expenses for swimming pools or hot tubs		
Advanced Main Air Circulating Fan (ECMs)	No more than 2% of furnace total energy use		

Thank You,

The Gustave A. Larson Company