

Last Chance to Claim Home Energy Credits Expiring in 2011

Cross References

- IRC §25C, *Nonbusiness Energy Property*
- Form 5695, *Residential Energy Credits*

The nonbusiness energy property credit is scheduled to expire at the end of 2011 so taxpayers only have a short time to take advantage of this credit.

The 2011 credit is more limited than in past years but is still available for qualifying improvements placed in service for the taxpayer's principal residence located in the United States before January 1, 2012.

Principal residence. The taxpayer must own the home and use it as a principal residence.

Credit. The nonbusiness energy property credit is a credit for making qualifying energy efficient home improvements. The tax credit is 10% of the cost (up to \$500), or a specific amount, for qualified energy efficient improvements. It must be an existing home and the taxpayer's principal residence. New construction and rentals do not qualify.

Eligible items include:

Item	Credit Amount
Biomass stoves	\$300
Heating, ventilating, air conditioning (HVAC)	Varies from \$50 – \$300
Insulation	10% of the cost, up to \$500 (does not include installation costs)
Roof (metal and asphalt)	10% of the cost, up to \$500 (does not include installation costs)
Water heaters (non-solar)	\$300
Windows and doors	10% of the cost, up to \$500, but windows are capped at \$200 (does not include installation costs)—must be ENERGY STAR qualified

Energy Star. For 2011, an Energy Star label is generally sufficient proof that property is qualifying property for the nonbusiness energy property credit.

Lifetime maximum credit. The lifetime credit for all types of property is \$500. Therefore, a taxpayer is not eligible to claim a 2011 credit if they claimed energy credits in previous years that exceed \$500. Additionally, the credit is nonrefundable and may not be carried forward.

Basis. If a taxpayer receives a credit, the taxpayer's basis in the qualifying property is reduced by the amount of the credit received.