

2009 Recovery Act: Residential Energy Credits Modified

The *American Recovery and Reinvestment Tax Act of 2009* (2009 Recovery Act) provides benefits to homeowners like you by reinstating the Credit for Nonbusiness Energy Property (CNEP) for 2009 and 2010, and enhancing the Residential Energy Efficient Property (REEP) credit.

As you may know, the CNEP can be taken when qualified energy efficient improvements or expenditures are made for your principal residence, including new insulation; replacement windows, skylights and doors; central air conditioners; certain water heaters, furnaces or boilers; and a new metal or asphalt roof specifically treated to reduce heat loss. The CNEP, which was not available for the 2008 tax year, has been reinstated for eligible property placed in service after December 31, 2008, and before January 1, 2011. The 2009 Recovery Act also:

- eliminates the lifetime limitation for the CNEP (previously \$500);
- increases the credit from 10 percent to 30 percent of qualified expenses; and
- increases the maximum CNEP amount for 2009 and 2010 installations to \$1,500.

The REEP credit is allowed for qualified expenditures that produce energy for home use, such as for solar energy and fuel cell energy property. The REEP was previously extended through the 2016 tax year, and applies not only to your principal residence, but also to your vacation home. Although the maximum credit for qualified fuel cell property remains unchanged (\$500 for each half kilowatt of capacity), the 2009 Recovery Act removes the maximum credit amounts for the following qualified property expenditures for tax years beginning after December 31, 2008:

- solar electric (previously capped at \$2,000);
- small wind energy (previously capped at \$500 for each half kilowatt of capacity of wind turbines (not to exceed \$4,000)); and
- geothermal heat pump (previously capped at \$2,000).

If you want to install energy-saving improvements or alternative energy property to your home, we can help you categorize your expenses and plan the timing of your energy-saving projects to maximize your overall tax savings. Please call our office at your earliest convenience to arrange an appointment.