

ENERGY POLICY

ACT of 2005

TAX CREDIT SUMMARY

Federal Tax Credit Summary for Residential Buildings

The Energy Policy Act of 2005 provides tax credits for products purchased and installed between January 1, 2006 and December 31, 2007. The table below summarizes products that may qualify for tax credits.

Product	Tax Credit Available To:	Estimated Tax Credit	Maximum Credit
Exterior windows	Homeowner	10% (materials cost only)	\$200
Skylights	Homeowner	10% (materials cost only)	\$200
Exterior doors	Homeowner	10% (materials cost only)	\$500
Metal roofs	Homeowner	10% (materials cost only)	\$500
Insulation	Homeowner	10% (materials cost only)	\$500
Central air conditioning	Homeowner	\$300 (materials & labor)	\$300
Heat pump	Homeowner	\$300 (materials & labor)	\$300
Water heater	Homeowner	\$300 (materials & labor)	\$300
Gas, oil, propane furnace or hot water boiler	Homeowner	\$150 (materials & labor)	\$150
Advanced main air circulating fan	Homeowner	\$50 (materials & labor)	\$50
Energy-efficient appliances	Manufacturer	Varies based on efficiency	Varies
Energy-efficient new homes	Builder	\$2,000	\$2,000
Energy-efficient manufactured homes	Manufacturer	\$1,000–\$2,000	\$2,000
Solar water heating	Homeowner	30% (materials & labor)	\$2,000
Photovoltaic systems	Homeowner	30% (materials & labor)	\$2,000

What is a tax credit?

Tax credits reduce taxes payable to the same extent for all taxpayers, regardless of their income level and marginal tax rate. In other words, a credit is a dollar-for-dollar reduction of taxes paid and reported on your federal income tax form at the end of the year.

What is the difference between a tax credit and a tax deduction?

While a tax credit is a dollar-for-dollar reduction of taxes paid, regardless of income tax bracket, tax deductions lower your taxable income, the base used to calculate your tax liability. If you are in the highest 35-percent tax bracket, the income tax you pay is reduced by 35 percent of the value of a tax deduction.

The information provided is our summary of the Energy Policy Act of 2005 and is not to be viewed as tax advice, nor should it be used as the sole source of information for tax purposes. Consult your tax professional for official guidance concerning your specific circumstances. You may also refer to Internal Revenue Service guidance on www.irs.gov.

