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## Lower Energy Consumption, Lower Taxes

One of the benefits granted under the American Recovery and Reinvestment Act 2009 (ARRA) is a tax deductible amount from costs incurred for energy efficient home improvements. In the past, the government did give a similar incentive but it was removed in 2008 only to be reenacted in 2009, but bigger and better. This is good news to taxpayers.

Under the new legislation, homeowners who make renovations or improvements to their homes in the form of energy efficient lighting, heating, better insulation, energy-saving air conditioners or furnaces etc, are entitled to a tax credit of up to 30% of the costs of their improvements, up to a maximum of \$1,500 (the previous ceiling was \$500). Therefore, if a taxpayer makes \$5,000 worth of renovations to save energy in the home, he will be eligible to the maximum \$1,500 credit.

But in order to qualify for the tax benefit, the amount spent is not the sole criteria. Installing an equipment or product having the Energy Department's Energy Star logo is not sufficient. An added condition is that the manufacturer or maker of the energy saving materials or products must certify that it is up to the standard of energy efficiency set by the government. With this official certification, you would be eligible for the tax credit. Hence, taxpayers are advised to retain a copy of the manufacturer's certification for tax purposes. This certification was not a requirement under the old legislation.

This tax credit is open to every taxpayer irrespective of how much you earn. But your home improvements must have been made no earlier than 2009 to be eligible for the 2010 tax year.

There is good news in that even though you have claimed under the old legislation (say for \$500), you would still be eligible to claim up to the full amount of \$1,500 under the new law. The previous amount already claimed is not taken into consideration when calculating your new tax credit.

Another piece of good news has to do with a particular category of energy improvement. Homeowners who have taken steps to utilize alternative energy would be eligible for the 30% tax credit but without the maximum limit of \$1,500. Therefore, it pays even more to install solar or geothermal heaters, wind turbines, solar call panels, geothermal heat pumps, magnetic generators and the like. For this category of energy efficient improvements, the cost of installation and site preparation are also included in the calculation of the tax credit, besides the cost of the equipment itself.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.