

Kosco Reminds Resident's To Take Energy Tax Credits On New Home Heating & Cooling Equipment

Kosco, the area's leading home heating and home comfort company is reminding consumers of the tax incentives for 2007 installations of new high efficient home heating & cooling equipment.

Mike Berardi, manager of Kosco's Dutchess County division explained that purchasers of highly efficient heating, cooling, and water heating equipment can take tax credits of up to \$300 for purchasing qualifying equipment, (as detailed below). These credits are available for systems placed in service from January 1, 2006, through December 31, 2007. There is a \$500 cap on the credit per home, including the amount received for insulation, windows, air and duct sealing.

The IRS website states the following regarding "Residential Energy Credits"

You may be eligible for two new credits, the non-business energy property credit and the residential energy efficient property credit, for making energy saving improvements to your home. The non-business energy property credit applies to tax years 2006 and 2007. The residential energy efficient property credit applies to tax years 2006 through 2008. To take the credit, you must file Form 5695, Residential Energy Credits. For credit purposes, costs are treated as being paid when the original installation of the item is completed, or in the case of costs connected with the construction or reconstruction of a building, when your original use of the constructed or reconstructed building begins. If less than 80% of the use of an item is for non-business purposes, only that portion of the costs that are allocable to the non-business use can be used to determine the credit. A home includes a house, houseboat, mobile home, cooperative apartment, condominium, and certain manufactured homes. You must reduce the basis of your home by the amount of credit allowed.

In response to specific questions about the tax incentives, The Tax Incentives Assistance Project (TIAP) a non-profit organization provided detailed answers:

What types of equipment qualify and for how much?

High-efficiency gas, oil, and propane furnaces and boilers: \$150

High-efficiency central air conditioning units, including air-source and ground-source heat pumps: \$300

High-efficiency fans for heating and cooling systems: \$50

High-efficiency water heaters, including heat pump water heaters: \$300

Where must the equipment be used?

Under guidance issued by the IRS, equipment is eligible if installed in a home occupied by a taxpayer as their principal residence at the time the equipment is installed. This implies that equipment in new homes is generally not eligible since in new homes equipment is generally installed prior to occupancy. However, efficient equipment in new homes will help that home qualify for the “new home tax credit“.

What are the efficiency requirements to qualify for the credits?

Manufacturers and retailers should be able to help you tell whether a specific product qualifies.

The qualification specifications are:

Furnaces and boilers: Annual Fuel Use Efficiency (AFUE) 95 or higher

Central air conditioning units:

Central air conditioning units must meet the highest tier standards set by the Consortium for Energy Efficiency (CEE), which require a Seasonal Energy Efficiency Ratio (SEER) of 15 and an Energy Efficiency Ratio (EER) or 12.5 for split systems (those with separate indoor and outdoor units) and SEER 14 and EER 12 for single-package systems (typically located on a roof). SEER measures performance throughout the cooling season, EER measures performance on a very hot day.

Air-source heat pumps must have a Heating Seasonal Performance Factor (HSPF) 9 or greater, SEER 15 or higher, and EER 13 or higher

Ground-source heat pumps must meet the following criteria (the same criteria as for Energy Star):

Closed-loop systems—14.1 cooling EER and 3.3 heating Coefficient of Performance (COP)

Open-loop systems—16.2 EER and 3.6 COP

Direct-expansion systems—15 EER and 3.5 COP. In addition, ground-source heat pumps must include a desuperheater (which preheats water for a water heater) or an integrated water heating system.

Fans for heating and cooling systems: fan uses no more than 2% of total heating system energy use, as defined by DOE test procedure.

Water heaters:

Gas or propane water heaters—Energy Factor of at least 0.8. The only models that meet this standard currently are tankless water heaters and some systems that combine both space and water heating.

Heat pump water heaters—Energy Factor of at least 2.0

What do I need to do to qualify for the incentives?

Under the IRS rules, manufacturers need to certify that specific measures are eligible. Homeowners should obtain a copy of this certification when buying these products from the manufacturer, contractor or retailer. Certifications need not be submitted to the IRS, but should be kept on file in case the IRS has questions. Homeowners should also make notes on when each eligible measure is installed—only measures "placed in service" in 2006 or 2007 are eligible.

Where can I find out more about qualifying products?

Furnaces and boilers: Information on qualifying equipment can be found at:
Gas Appliance Manufacturers Association
Energy Star (furnaces)
Energy Star (boilers)
U.S. Department of Energy Energy Savers
American Council for an Energy-Efficient Economy
Central Air Conditioning Units and Heat Pumps: Information on qualifying equipment can be found at the Consortium for Energy Efficiency (for air conditioners) and Energy Star (for ground-source heat pumps) web sites. ACEEE has general information as well as a list of the most efficient products. DOE also has general information:
American Council for an Energy-Efficient Economy
Fans for Heating and Cooling Systems: See the Gas Appliance Manufacturers Association (GAMA) Directory
Gas Appliance Manufacturers Association
Water Heaters: Information on which equipment meets the required Energy Factor levels can be found in a directory published by GAMA. More general information can be found on the ACEEE and DOE websites:
Gas Appliance Manufacturers Association , American Council for an Energy-Efficient Economy, U.S. Department of Energy

Kosco is a leader in the home heating industry, providing homeowners in the Hudson Valley with current information and state-of-the-art heating services for over 45 years. For more information on energy tax incentives for 2008 call Mike Berardi at Kosco 876-2033. Article compiled from information provided by the The Tax Incentives Assistance Project (TIAP) is sponsored by a coalition of public interest nonprofit groups,