



# N.W.Y.C TaxFax'

## An Update on Tax Issues that Affect You & Your Business!

A Service of National "Write Your Congressman," Inc., 214-342.02^9 [www.nwyc.com](http://www.nwyc.com)

### Tax Incentives Encourage Energy Efficiency

After years of political squabbling, Congress recently passed an energy policy overhaul, the **Energy Tax Incentives Act of 2005**. The law contains \$14.5 billion in tax cuts intended to encourage energy production and conservation. While many of the provisions are industry specific, it also includes individual and business tax credits for improving energy efficiency in residential and commercial buildings. This *TaxFax* gives an overview of a few of the provisions that may affect your tax filings.

**Make Energy Efficient Home Improvements: In 2006 and 2007 you can take a maximum lifetime personal tax credit of up to \$500 for purchasing and installing energy saving equipment in your existing home.** These improvements include:

- adding insulation materials that reduce heat loss/ gain, exterior windows (including skylights), exterior doors, and certain metal roofs; and
- adding energy efficient property such as electric water heaters and heat pumps as well as a **host of other energy-saving appliances.**

**Tax Credit for Home Builders:** If you're thinking of purchasing a new home you may be able to save on the purchase price if the homebuilder passes on his tax savings to you. Environmentally friendly contractors who install energy efficient heating and cooling appliances in new homes will be eligible for a credit up to either \$1,000 or \$2,000 per dwelling unit, depending on the degree of energy efficiency.

**Outlook Sunny for Solar Energy:** The law increases the existing 10 percent investment tax credit for commercial solar installations to 30 percent for two years with no cap on the amount of the credit. This applies to all property placed in service after December 31, 2005 and before January 1, 2008; credit reverts to the permanent 10 percent credit thereafter.

**More information on the Energy Tax Incentive Act is available at [www.nwvc.com](http://www.nwvc.com).**

Homeowners may also want to consider going solar. A new 30 percent tax credit for residential solar installations is available for two years; capped at \$2000; applied to all property placed in service after December 31, 2005 and before January 1, 2008. However, solar water heaters for pools and hot tubs do not qualify.

**Energy Efficient Commercial Buildings;** In what could yield substantial tax savings to the building owner, a new credit designed to encourage commercial building owners to upgrade current buildings or build new energy-efficient structures will begin in 2006 and 2007. The credit will be based on the use of energy power-saving materials such as interior lighting systems, heating, cooling, ventilation, and hot water systems and will be computed on a square-foot basis.

**Credit For Alternative Motor Vehicle Purchases: New** car buyers will get a tax break for purchasing energy efficient vehicles after 2005. The measure is intended to encourage the purchase of cars powered by alternative fuel sources. Several factors will influence the size of the credit, which primarily emphasizes alternative fuel sources that meet specific emission standards. There will be four possible credits for qualified fuel cell vehicles which include lean-burn technology, hybrid and alternative fuel vehicles.

**Other Tax Credits:** The above credits represent a small portion of those available. Other areas covered by the law include:

- Non-conventional source production
- Renewable electricity production
- Clean coal production
- Nuclear power
- Fuel cells and microturbine plants
- Expanded research

**Tax Filing Reminder:** Extended time to file individual income tax returns expires August 15, 2005. Form 1040 must be either filed, or an additional two-month extension of time to file must be requested.