

5/26/09



Federal Incentives/Policies for Renewables & Efficiency

Residential Energy Efficiency Tax Credit

Last DSIRE Review: 02/18/2009

Incentive Type: Personal Tax Credit

Eligible Efficiency Technologies: Water Heaters, Furnaces, Boilers, Heat pumps, Air conditioners, Building Insulation, Windows, Doors, Roofs, Circulating fans used in a qualifying furnace

Eligible Renewable/Other Technologies: Biomass, Stoves that use qualified biomass fuel

Applicable Sectors: Residential

Amount: 30%

Maximum Incentive: Aggregate amount of credit for all technologies placed in service in 2009 and 2010 combined is limited to \$1,500

Equipment/Installation Requirements: Equipment must be new and in compliance with all applicable performance and safety standards as described in tax code

Authority 1: 26 USC § 25C

Date Enacted: 8/8/2005 (subsequently amended)

Date Effective: 1/1/2006

Expiration Date: 12/31/2010

Summary:

The federal tax credit for energy-efficient home improvements was established by the *Energy Policy Act of 2005*. After expiring December 31, 2007, the credit was extended and expanded by The Energy Improvement and Extension Act of 2008 (H.R. 1424: Div. B, Sec. 302) and The American Recovery and Reinvestment Act of 2009 (H.R. 1: Div. B, Sec. 1121). The credit now applies to eligible equipment purchased between January 1, 2009, and December 31, 2010. In addition to extending the credit, H.R. 1424 and H.R. 1 strengthened the efficiency requirements for most equipment, extended the credit to stoves that use biomass fuel and asphalt roofs with appropriate cooling granules; raised the cap for the credit; and redesigned the way the credit is calculated.

The credit applies to energy efficiency improvements in the building envelope of existing homes and for the purchase of high-efficiency heating, cooling and water-heating equipment. Efficiency improvements or equipment must serve a dwelling in the United States that is owned and used by the taxpayer as a primary residence. The maximum amount of homeowner credit for all improvements combined is \$1,500 for equipment purchased during the two-year period of 2009 and 2010.

Building Envelope Improvements

Owners of existing homes receive a tax credit worth 30% of the cost of upgrading the efficiency of the building's envelope. Installation (labor) costs are not included. The following improvements are eligible for the tax credit:

- Insulation materials and systems designed to reduce a home's heat loss or gain
- Exterior doors and windows (including skylights) and
- Pigmented metal roofs designed to reduce heat gain, and asphalt roofs with appropriate cooling granules.

Heating, Cooling and Water-Heating Equipment

Taxpayers who purchase qualified residential energy-efficient property are eligible for a tax credit worth 30% of the system cost, including labor costs. The credit may also be applied to labor costs for assembly and original installation of eligible property. The following types of equipment are eligible:

- Electric heat pump water heaters
- Electric heat pumps
- Central air conditioners
- Natural gas, propane or oil water heaters
- Natural gas, propane or oil furnace or hot water boilers
- Advanced main air circulating fans
- Biomass stoves that use "plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (including wood pellets), plants (including aquatic plants), grasses, residues, and fibers"

Performance and quality standards for tax credit eligibility vary by technology. (See 26 USC § 25C, H.R. 1424 of 2008 and H.R. 1 of 2009) for details. Additionally, the [Energy Star web site](#) offers detailed information on qualifying products.

Significantly, *The American Recovery and Reinvestment Act of 2009* repealed a previous limitation on the use of the credit for eligible projects also supported by "subsidized energy financing." For projects placed in service after December 31, 2008, this limitation no longer applies. Businesses that receive other incentives are advised to consult with a tax professional regarding how to calculate this federal tax credit.

Background

The *Energy Policy Act of 2005* established the tax credit for energy improvements to existing homes. The credit was originally limited to purchases made in 2006 and 2007, with an aggregate cap of \$500 for all qualifying purchases made in these two years combined. There were also separate individual caps for the different equipment types. H.R. 1424 of 2008 reinstated the credit for 2009 purchases and made other minor adjustments. H.R. 1 further extended the credit to include purchases made in 2010 and replaced the \$500 aggregate cap with a \$1,500 aggregate cap for installations made in 2009 and 2010. Tax credits for installations made in 2006 and 2007 are still limited to \$500. Any purchase made in 2008 is not eligible for this tax credit.

Geothermal heat pumps were originally eligible for this credit, with a \$300 cap. However, geothermal heat pumps are now eligible for the [residential renewable energy tax credit](#), with no cap.

Contact:

Public Information - IRS
U.S. Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224
Phone: (800) 829-1040
Web Site: <http://www.irs.gov>

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Federal Incentives/Policies for Renewables & Efficiency

Residential Renewable Energy Tax Credit

Last DSIRE Review: 02/19/2009

Incentive Type: Personal Tax Credit

Eligible Renewable/Other Technologies: Solar Water Heat, Photovoltaics, Wind, Fuel Cells, Geothermal Heat Pumps, Other Solar Electric Technologies

Applicable Sectors: Residential

Amount: 30%

Maximum Incentive: Solar-electric systems placed in service before 2009: \$2,000
 Solar-electric systems placed in service after 2008: no maximum
 Solar water heaters placed in service before 2009: \$2,000
 Solar water heaters placed in service after 2008: no maximum
 Wind turbines placed in service in 2008: \$4,000
 Wind turbines placed in service after 2008: no maximum
 Geothermal heat pumps placed in service in 2008: \$2,000
 Geothermal heat pumps placed in service after 2008: no maximum
 Fuel cells: \$500 per 0.5 kW

Carryover Provisions: Excess credit may be carried forward to succeeding tax year

Eligible System Size: Fuel cells: 0.5 kW minimum

Equipment/Installation Requirements: Solar water heating property must be certified by SRCC or by comparable entity endorsed by the state in which the system is installed. At least half the energy used to heat the dwelling's water must be from solar. Geothermal heat pumps must meet federal Energy Star requirements. Fuel cells must have electricity-only generation efficiency greater than 30%.

Authority 1: 26 USC § 25D

Date Enacted: 8/8/2005 (subsequently amended)

Date Effective: 1/1/2006

Expiration Date: 12/31/2016

Authority 2: IRS Form 5695 & Instructions: Residential Energy Credits

Summary:

Note: *The American Recovery and Reinvestment Act of 2009 does not allow taxpayers eligible for the residential renewable energy tax credit to receive a U.S. Treasury Department grant instead of taking this credit.*

Established by the federal *Energy Policy Act of 2005*, the federal tax credit for residential energy property initially applied to solar-electric systems, solar water heating systems and fuel cells. *The Energy Improvement and Extension Act of 2008* (H.R. 1424) extended the tax credit to small wind-energy systems and geothermal heat pumps, effective January 1, 2008. Other key revisions included an eight-year extension of the credit to December 31, 2016, the ability to take the credit against the alternative minimum tax, and the removal of the \$2,000 credit limit for solar-electric systems beginning in 2009. The credit was further enhanced in February 2009 by *The American Recovery and Reinvestment Act of 2009* (H.R. 1: Div. B, Sec. 1122, p. 46), which removed the maximum credit amount for all eligible technologies (except fuel cells) placed in service after 2008.

A taxpayer may claim a credit of 30% of qualified expenditures for a system that serves a dwelling unit located in the United States

and used as a residence by the taxpayer. Expenditures with respect to the equipment are treated as made when the installation is completed. If the installation is on a new home, the "placed in service" date is the date of occupancy by the homeowner. Expenditures include labor costs for onsite preparation, assembly or original system installation, and for piping or wiring to interconnect a system to the home. If the federal tax credit exceeds tax liability, the excess amount may be carried forward to the succeeding taxable year. The maximum allowable credit, equipment requirements and other details vary by technology, as outlined below.

Solar-electric property

- There is no maximum credit for systems placed in service after 2008. The maximum credit is \$2,000 for systems placed in service before January 1, 2009.
- Systems must be placed in service on or after January 1, 2006, and on or before December 31, 2016.
- The home served by the system does *not* have to be the taxpayer's principal residence.

Solar water-heating property

- There is no maximum credit for systems placed in service after 2008. The maximum credit is \$2,000 for systems placed in service before January 1, 2009.
- Systems must be placed in service on or after January 1, 2006, and on or before December 31, 2016.
- Equipment must be certified for performance by the Solar Rating Certification Corporation (SRCC) or a comparable entity endorsed by the government of the state in which the property is installed.
- At least half the energy used to heat the dwelling's water must be from solar in order for the solar water-heating property expenditures to be eligible.
- The tax credit does not apply to solar water-heating property for swimming pools or hot tubs.
- The home served by the system does *not* have to be the taxpayer's principal residence.

Fuel cell property

- The maximum credit is \$500 per half kilowatt (kW).
- Systems must be placed in service on or after January 1, 2006, and on or before December 31, 2016.
- The fuel cell must have a nameplate capacity of at least 0.5 kW of electricity using an electrochemical process and an electricity-only generation efficiency greater than 30%.
- In case of joint occupancy, the maximum qualifying costs that can be taken into account by all occupants for figuring the credit is \$1,667 per half kilowatt. This does not apply to married individuals filing a joint return. The credit that may be claimed by each individual is proportional to the costs he or she paid.
- The home served by the system *must* be the taxpayer's principal residence.

Small wind-energy property

- There is no maximum credit for systems placed in service after 2008. The maximum credit is \$500 per half kilowatt, not to exceed \$4,000, for systems placed in service in 2008.
- Systems must be placed in service on or after January 1, 2008, and on or before December 31, 2016.
- The home served by the system does *not* have to be the taxpayer's principal residence.

Geothermal heat pumps

- There is no maximum credit for systems placed in service after 2008. The maximum credit is \$2,000 for systems placed in service in 2008.
- Systems must be placed in service on or after January 1, 2008, and on or before December 31, 2016.
- The geothermal heat pump must meet federal Energy Star program requirements in effect at the time the installation is completed.
- The home served by the system does *not* have to be the taxpayer's principal residence.

Significantly, *The American Recovery and Reinvestment Act of 2009* repealed a previous limitation on the use of the credit for eligible projects also supported by "subsidized energy financing." For projects placed in service after December 31, 2008, this limitation no longer applies.

History

The federal *Energy Policy Act of 2005* established a 30% tax credit (up to \$2,000) for the purchase and installation of residential solar electric and solar water heating property and a 30% tax credit (up to \$500 per 0.5 kilowatt) for fuel cells. Initially scheduled to expire at the end of 2007, the tax credits were extended through December 31, 2008, by the *Tax Relief and Health Care Act of 2006*.

In October 2008, the *Energy Improvement and Extension Act of 2008* extended the tax credits once again (until December 31, 2016), and a new tax credit for small wind-energy systems and geothermal heat pump systems was created. In February 2009, *The American Recovery and Reinvestment Act of 2009* removed the maximum credit amount for all eligible technologies (except fuel cells) placed in service after 2008.

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5/26/09



Federal Incentives/Policies for Renewables & Efficiency

Energy-Efficient Mortgages

Last DSIRE Review: 10/02/2008

Incentive Type: Federal Loan Program

Eligible Efficiency

Technologies: Yes; specific technologies not identified

Eligible Renewable/Other Technologies: Passive Solar Space Heat, Solar Water Heat, Solar Space Heat,

Photovoltaics, Daylighting

Technologies:

Applicable Sectors: Residential

Web Site: <http://www.resnet.us/ratings/mortgages>

Summary:

Homeowners can take advantage of energy efficient mortgages (EEM) to finance a variety of energy efficiency measures, including renewable energy technologies, in a new or existing home. The U.S. federal government supports these loans by insuring them through Federal Housing Authority (FHA) or Veterans Affairs (VA) programs. This allows borrowers who might otherwise be denied loans to pursue energy efficiency improvements, and it secures lenders against loan default.

The federal Energy Star program has a partnership program for lenders whereby lenders who provide EEMs to borrowers may become Energy Star lender partners. These EEMs may or may not be used to purchase an Energy Star qualified home. Becoming a partner allows lenders to utilize the Energy Star brand to promote themselves as Energy Star partners offering EEMs. To become a lender partner lenders must first provide proof that they know how to write EEMs. To maintain their partnership benefits, lenders must write a certain number of EEMs per year. Energy Star does not have a lender certification program or process. Click [here](#) for more information about Energy Star's lender partnership program. As of August 2008, the federal Energy Star program lists 61 private lenders who offer homebuyer assistance, HERS assistance, special financing, and other assistance to applicants buying homes with the Energy Star rating. Energy Star requires that its lender partners provide EEMs to qualified borrowers regardless of whether it is an FHA EEM, Fannie Mae EEM, or VA EEM.

FHA Energy Efficient Mortgages

The FHA allows lenders to add up to 100% of energy efficiency improvements to an existing mortgage loan by insuring a loan of up to 5% of a home's appraised value with certain restrictions. FHA mortgage limits vary by county, state and the number of units in a dwelling. See www.fha.com/lending_limits.cfm for more details.

Loan amounts may not exceed the projected savings of the energy efficiency improvements. These loans may be combined with FHA 203 (h) mortgages available to victims of presidentially-declared disasters and with financing offered through the FHA 203 (k) rehabilitation program. FHA loan limits do not apply to the EEM. Homebuyers must submit a Home Energy Rating (HER), contractor bids, and a FHA B Worksheet. This process may become streamlined in 2009 as a result of the Housing and Economic Recovery Act of 2008, which requires HUD to report to congress with ways to remove the administrative barriers and increase consumer participation and awareness of these financing options.

Presently, up to \$200 of the cost of the HER may be included in the mortgage, and borrowers may include closing costs and the up-front mortgage insurance premium in the total cost of the loan. The loan is available to anyone who meets the income requirements for FHA's Section 203 (b), provided the applicant can meet the monthly mortgage payments. New and existing owner-occupied homes of up to two units qualify for this loan. Cooperative units are not eligible. Homebuyers should submit applications to their local HUD Field Office through an FHA-approved lending institution, or they can apply directly online at www.fha.com/energy_efficient.cfm. See also www.hud.gov/offices/hsg/sfh/eem/energy-r.cfm.

Department of Veterans Affairs (VA) Energy Efficient Mortgages

The VA insures EEMs to be used in conjunction with VA loans either for the purchase of existing homes or for refinancing loans secured by the dwelling. Homebuyers may borrow up to \$3,000 if only documentation of improvement costs or contractor bids is submitted, or up to \$6,000 if the projected energy savings are greater than the increase in mortgage payments. Loans may exceed this amount at the discretion of the VA. Applicants may not include the cost of their own labor in the total amount. No additional home appraisal is needed, but applicants must submit a HER, contractor bids and certain other documentation. The VA insures 50% of the loan if taken by itself, but it may insure less if the total value of the mortgage exceeds a certain amount.

This mortgage is available to qualified military personnel, reservists and veterans. (See www.homeloans.va.gov/elig2.htm for more details). Applicants should secure a certificate of eligibility from their local lending office and submit it to a VA-approved private lender. If the loan is approved, the VA guarantees the loan when it is closed.

Conventional EEMs

Like Energy Star mortgages, conventional mortgages are not backed by a federal agency. Private lenders sell loans to Fannie Mae and Freddie Mac, which in turn allow homebuyers to borrow up to 15% of an existing home's appraised value for improvements documented by a HER.

Fannie Mae also lends up to 5% for Energy Star new homes. Fannie Mae EEMs are available to single-family, owner-occupied units, and Fannie Mae provides EEMs to those whose income might otherwise disqualify them from receiving the loans by allowing approved lenders to adjust borrowers' debt-to-income ratio by 2%. The value of the improvements is immediately added to the total appraised value of the home.

Freddie Mac offers EEMs for one- to four-unit dwellings and also helps raise the effective income of the borrower to qualifying levels by allowing lenders to increase the borrower's income by a dollar amount equal to the estimated energy savings. Any energy efficiency improvements can qualify, and these mortgages can be combined with both fixed-rate and adjustable-rate mortgages. Borrowers should apply directly to the lender. See www.natresnet.org/resources/lender/default.htm for more details.

DSIRE

Database of State Incentives for Renewables & Efficiency



5/26/09

Nebraska

Incentives/Policies for Renewables & Efficiency

Solar and Wind Easements

Last DSIRE Review: 06/20/2008

Incentive Type: Solar and Wind Access Law

Eligible Passive Solar Space Heat, Solar Water Heat, Solar Space Heat,

Renewable/Other Solar Thermal Electric, Solar Thermal Process Heat,

Technologies: Photovoltaics, Wind

Applicable Sectors: Commercial, Industrial, Residential, Nonprofit, Schools, Local Government, State Government, Fed. Government

Authority 1: R.R.S. 66-901 et seq.

Date Effective: 1979

Summary:

Nebraska's solar easement provisions allow property owners to create binding solar easements for the purpose of protecting and maintaining proper access to sunlight. The solar access laws were revised in March 1997 (Bill 140) to include wind. Counties and municipalities are permitted to develop zoning regulations, ordinances, or development plans that protect access to solar and wind energy resources if they choose to do so. Local governing bodies may also grant zoning variances to solar and wind energy systems that would be restricted under existing regulations, so long as the variance is not substantially detrimental to the public good.

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