

IRS - Federal Tax Primer

Frequently Asked Questions for Builders About the Energy Efficiency Tax Credits for New Homes

This page is presented to provide general information on the new federal tax credit and is not intended to be an interpretation of eligibility for the tax credit. Please consult with a qualified tax advisor to discuss eligibility.

Q: In general what allows a home to qualify for the tax credit?

A: To meet the energy saving requirements, a home must use no more than 50% of the energy used by a home built to 2004 International Energy Conservation Code (IECC) standards.

Q: How does a builder determine if their homes will qualify for the tax credit?

A: The only way to determine if a home will qualify for the tax credit is to have an analysis done using one of the approved IRS software programs. To find the most current list of these programs, click on **IRS Eligible Software Programs**.

Q: Who can qualify for the new homes tax credit?

A: Under the provision for energy efficient homes tax credit, an eligible contractor who constructs a qualified new energy efficient home may qualify for the credit. For specific qualifications to be eligible for the tax credit please consult with a qualified tax advisor.

Q: What form must a builder complete the tax credit?

A: To claim the tax credit the eligible contractor must complete IRS form 8908. The tax form is posted on the IRS web site at www.irs.gov/pub/irs-pdf/f8908.pdf.

Q: Is the form complicated to complete?

A: No. An eligible contractor simply enters the total number of qualified energy homes meeting the 50% standard and multiplies that amount by \$2,000.

Q: What qualifies as a new energy efficient home?

A: The home qualifies for the credit if:

- It is located in the United States
- Its construction is substantially completed after August 8, 2005
- It meets the statutory energy saving requirements
- It is acquired from the eligible contractor after December 31, 2005, and before January 1, 2008, for use as a residence.

Q: Do homes eligible for the Energy Star label also meet the requirements for the tax credit?

A: No. The requirements to meet Energy Star and the tax credit are different. Qualification for Energy Star covers all energy use in a house, including water heating, lighting and appliances, while requirements for the tax credit only include space heating and cooling.

Q: Can a builder certify their own homes for the tax credit?

A: No. The IRS rules states that the person who certifies the home must “not related (within the meaning of 45(e)(4)) to the eligible contractor.”

Q: Who can verify homes for the tax credit?

A: Homes must be inspected and tested by an “eligible certifier”, commonly referred to as a home energy rater. To find an eligible certifier (rater) in your area, click [here](#).

Q: Can only home energy raters certify homes for the tax credit?

A: No. The IRS rules also recognizes “an employee or other representative of a utility or local building regulatory authority may qualify for as an eligible certifier if the employee or representative has been accredited or authorized by RESNET (or an equivalent rating network) to use approved energy performance measurement methods.”

Q: What verification tool is an eligible certifier (home energy rater) required to use to verify homes for the tax credit?

A: Click on **IRS Eligible Software Programs** for the most updated listing of approved tax credit software compliance tools approved by the IRS for tax credit compliance.

Q: What documentation must a builder have to apply for the tax credit?

A: The builder must first have the home tested by an eligible certifier (home energy rater) and obtain a signed document from the eligible certifier stating the following:

“Under penalties of perjury, I declare that I have examined this certification, including accompanying documents, and to the best of my knowledge and belief, the facts presented in support of this certification are true, correct, and complete.”

The IRS recommends that the eligible builder retain the certification as part of the contractor’s records to document that the home meets the requirements.

Q: What is the time period in which the tax credit can be claimed?

A: To qualify for the credit, homes must be acquired from the eligible contractor after December 31, 2005, and before January 1, 2008.

Q: Can a homeowner apply for the tax credit?

A: No, only eligible contractors can apply for the tax credit.

Q: Can homes be verified for the tax credit using the “sampling” method?

A: Yes. The IRS allows sampling as long as the builder builds at least 85 homes a year and the eligible certifier (home energy rater) follows the current Environmental Protection Agency’s ENERGY STAR Homes Sampling Protocol Guidelines. Of course the certifier must also sign the required statement certifying the home’s compliance.

Q: Can multi-family homes be eligible for the tax credit?

A: Yes. The IRS defines all homes are eligible for the tax credit as long as the building is not more than three stories above grade in height.

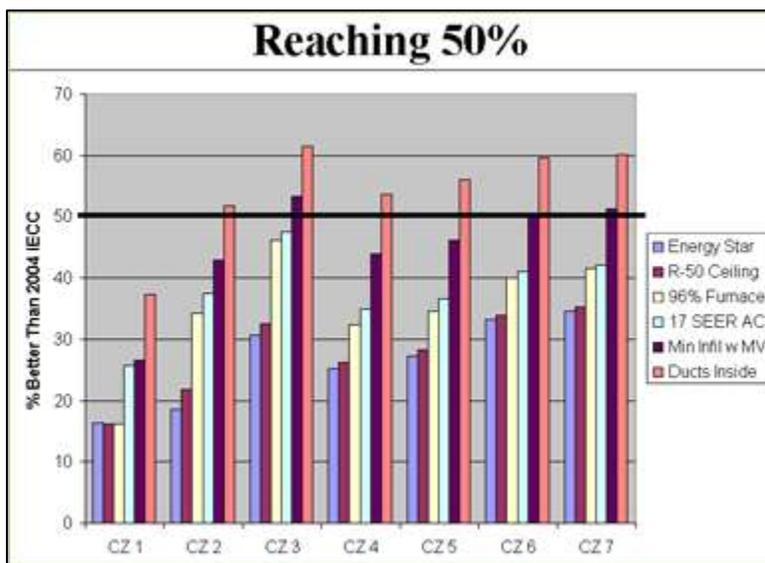
Q: The IRS rules states that the tax credit is \$2,000 per qualifying dwelling unit. How does the IRS define a “dwelling unit”?

A: The IRS defines a dwelling as a “single unit providing complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation.”

Q: How do I find a person certified to perform the required testing and inspections to verify a home for the tax credit?

A: RESNET certified rater members can certify a home for the tax credit. The directory of RESNET certified raters are posted **here**. It is not required for a person to be a RESNET member to certify a home for the tax credit.

Any certified home energy rater can certify a home for the federal tax credit. A rater must be certified by a RESNET accredited home energy rating provider. A directory of RESNET accredited rating providers by state is posted **here**. Contact the rating provider in your state to find the certified rater in your community.



CZ 1 Represents Miami. From Architectural Energy Corporation, Worst Case Orientation, RESNET 2006 Conference. "Can It Be Done?" - How to Meet the 50% Threshold for the New Federal Energy Efficient Homes Tax Credit

Q: What's the difference between a tax credit and tax deduction?

A: Tax deductions reduce tax payer's overall taxable income with the value of the deduction dependent on the payer's tax bracket. Tax credits on the other hand reduce the amount of tax a taxpayer owes dollar for dollar. Tax credits are more economically powerful than deductions.

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Footnotes

Philip Fairey, Florida Solar Energy Center

Dave Roberts, Architectural Energy Corporation (Click on name(s) to download presentation)

In 2005 Congress enacted a national energy policy act that provided for tax credits to builders for homes that exceed the 2004 Supplement of the International Energy Conservation Code by 50%. This far exceeds the ENERGY STAR for Homes performance requirements for site built homes. Is it possible for builders to meet this target cost-effectively? These two articles present analysis of what it would take to meet the threshold in different regions of the nation.

Procedures for Demonstrating Compliance to the New Federal Energy Efficiency Tax Credits

Edward Pollock, U.S. Department of Energy (Click on name to download presentation)

The tax credits for building energy efficiency mandated that the U.S. Department of Energy assist the Department of the Treasury to develop the verification procedures for demonstrating compliance to the new and existing homes credits and the commercial buildings incentive. Ed Pollock leads the Department of Energy's effort in this area. This article will explain the procedures required to demonstrate compliance to the new tax incentives.

Implications of New Federal Tax Incentives for Building Performance Industry

David Goldstein, Natural Resources Defense Council (Click on name to download presentation)

In 2005 Congress passed tax incentives for energy efficiency. This reviews the leading advocates for building efficiency tax credits to discuss the implications to the building performance industry and the transformation of the market place. This presentation previews the new tax incentives being considered in Congress as a result of the spiraling energy costs this winter.

<http://www.irs.gov/newsroom/index.html>