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**HVAC Tax Credits in  
The American Recovery and Reinvestment Act of 2009  
[The Economic Stimulus Bill]**

This document contains a summary of important HVAC-related tax credits included in the 2009 stimulus package and answers to frequently asked questions about the new legislation. **These are general guidelines only and may not be applicable in all circumstances. Taxpayers are encouraged to consult with a tax professional.**

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA) into law. The legislation combines spending and tax incentives designed to get the American economy moving again by investing in our nation's road and energy infrastructure, and providing incentives for increasing the energy efficiency and performance of America's homes and commercial buildings.

Specifically for HVAC contractors, the new law makes important changes to existing tax incentives for homeowners who make qualified improvements to HVAC, water heating equipment, and other energy related improvements to their primary residences.

**Residential Tax Credit Details**

***Greater Tax Credit***

For qualified improvements (see the table below), homeowners may be able to claim tax credits equal to 30% of the installed costs (up to \$1,500).

***Longer Term***

The new tax credits are retroactive to 1/1/2009 and expire on 12/31/2010. The \$1,500 limit is for all improvements made during the two year term, not \$1500 each year.

***Per-Appliance Caps Removed***

Subject to the 30% of installed cost limitation, homeowners may use the entire \$1,500 tax credit limit on a single qualifying improvement. The previous per-appliance caps that limited the homeowner to just \$150 for a high efficiency furnace or \$300 for a high efficiency central air conditioner or heat pump have been removed.

***Lifetime Limit Removed*** Homeowners that previously claimed tax credits in 2006 or 2007 are eligible for the full \$1,500 limit. Also, HVAC contractors should be aware that the \$1,500 limit applies to many types of energy efficient home improvements, including windows, doors, shingles, and insulation. All of these various contractors will be competing with HVAC contractors for the work related to these tax credits.

**Frequently Asked Questions about the New Tax Credits**

***Q1. Can the homeowner claim \$1500 in tax credits for improvements made in 2009 and again for improvements made in 2010?***

Answer: No. Taxpayers will be eligible only for a total of \$1500 in tax credits for qualifying improvements made in the combined two year period of 2009 and 2010.

***Q2. Can a homeowner use the entire \$1500 limit as a credit toward the installation of one appliance?***

Answer: Yes. A homeowner may use the entire \$1500 in tax credits for installing a single appliance, such as a qualified furnace, air conditioner, or heat pump system as long as the total cost of the appliance is \$5000 or more. The legislation limits the tax credit to 30% of total cost with a \$1500 cap.

***Q3. What happens if the 30% of the installed costs is less than \$1500?***

Answer: The homeowner can use the remaining available tax credit for other qualified improvements in 2009 or 2010. Any single installation of a qualifying appliance that costs less than \$5000 will allow the homeowner to invest in additional energy saving appliances or upgrades and still receive a tax credit (up to a \$1500 combined maximum).

***Q4. Does the tax credit apply to the cost of the equipment or equipment plus labor?***

Answer: The tax credit applies to the installed costs of the qualified equipment, which includes labor.