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*Some answers to Frequently Asked Questions about the new  
Energy Efficient Home Credit – Tax Credit for builders:*

**New Homes**

**Q:** What is the tax credit for new homes?

**A:** A credit of \$2000 is available to home builders who build homes (including both site-built and manufactured homes) projected to save at least 50% of the heating and cooling energy of a comparable home that meets the standards of the 2004 International Energy Conservation Code. A \$1000 credit is available to manufactured home producers for models that save 30% or that qualify for the federal Energy Star Homes program.

**Q:** What is the eligible time frame for these tax credits

**A:** These credits are available for buildings or systems for which construction was substantially completed after August 8, 2005 and sold for use as a residence after December 31, 2005 and before January 1, 2008. (Note: The Snowe-Feinstein bill to extend the federal tax incentive provisions through the year 2010 for energy efficiency and renewable energy was introduced in the U.S. Senate on June 29, 2006.)

**Q:** Who is eligible for the federal tax credit?

**A:** These credits go to the builder or producer of the home.

**Q:** What are the incentives and how do they work?

**A:** Site-built homes: Builders can take a credit of \$2000 per home or dwelling unit, in the year that that the unit is sold. The home must be certified to use at least 50% less energy than a comparable home that complies with the standards provided in the 2004 IECC and uses a minimum SEER 13 air conditioner or heat pump. Building envelope efficiency must account for at least 1/5 of the 50% energy savings.

**A:** Manufactured homes: Producers can take a credit of \$2000 per home, in the year that that the home is sold, for meeting the 50% savings criterion. Alternately, they can claim a credit of \$1000 for each home that is certified to save 30% or that qualifies for the U.S. EPA Energy Star Homes program.

**Q:** What goes into a high-efficiency new home?

**A:** Homes can qualify for these credits using a wide range of energy efficiency measures. These can include: better-insulated foundations, walls, and ceilings; high-efficiency windows;

well-sealed framing and air ducts; high-efficiency heating and cooling systems; and other innovative design and construction methods.

**Q:** What must I do to qualify for the incentive?

**A:** IRS guidance specifies that builders and manufacturers obtain certification that a new home qualifies from an independent certifier accredited by the Residential Energy Service Network (RESNET) or an equivalent program and that the independent certifier carries a minimum of \$500,000 in professional liability insurance. Accredited raters can be found at the RESNET website, <http://www.natresnet.org/directory/raters.aspx>

**Q:** What paperwork is required for the tax credit?

**A:** The builder is required to keep in their records (and the certifier should be able to provide all of this):

- ⊖ The name, address, and telephone number of the eligible certifier.
- ⊖ The address of the dwelling unit.
- ⊖ A statement by the eligible certifier that the dwelling unit qualifies in all aspects of the tax credit requirements.
- ⊖ A statement by the eligible certifier that field inspections of the dwelling unit confirm compliance with the supplied design specifications.
- ⊖ A list identifying building envelope components and their energy performance ratings as well as the installed heating and cooling equipment with their energy efficiency performance.
- ⊖ Identification of the software used to calculate energy consumption.
- ⊖ A declaration, applicable to the certification and any accompanying documents, signed by a person currently authorized to bind the eligible certifier in these matters, in the following form:

“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.”

IRS Form 8908: Energy Efficient Home Credit is attached to the builders tax return and used to claim the credit for each qualified home sold in the tax year.

**Q:** Is there a limit to the number of homes that can be claimed for the tax credit?

**A:** No, all homes that meet all qualifications can be claimed.

**Q:** Does every individual dwelling unit need to be tested and certified?

**A:** Not necessarily. Builders who build at least 85 homes per year, or who build subdivisions with the same floor plan using the same subcontractors may qualify for a sampling rate in which a percentage of the units are tested and certified, but all of the units may be claimed for the tax credit (assuming those that are sampled qualify.)

**Q:** What is the difference between a tax credit and a tax deduction?

**A:** Your tax advisor can give you the best information about this, however, simply put, a tax deduction reduces your taxable income, and so the value of the deduction depends on your tax

bracket. For example, if you are eligible for a \$2,000 deduction and are in the 20% tax bracket, the deduction will reduce your taxes by \$400. A tax credit, such as this one, reduces the tax you owe dollar for dollar. If you are eligible for a \$2,000 credit, your taxes are reduced by \$2,000.

**Q:** Where can I get more information?

**A:** Your tax advisor can give you more information regarding the tax consequences of the credit. More information can also be found at: <http://www.energytaxcreditinformation.com>.