

CONSUMERS

IMPORTANT NEW TAX INFORMATION

Benefit from Energy Tax Credits in 2006 and 2007.

As a homeowner, you can reap substantial benefits from the Federal Energy Policy Act of 2005. These benefits come in the form of tax credits when you install solar water heating, solar electric systems and/or specific energy efficiency measures in your home. But, you'll need to take advantage of these credits quickly because they are set to expire on December 31, 2007.

What is a tax credit?

Treated like a payment already made toward the taxes you owe, a tax credit provides a bigger bang for the buck than a tax deduction. You claim the credit when filing your tax return for the year the system is installed.

What solar systems qualify for the tax credits?

For solar systems alone, you could receive tax credits totaling \$4,000. Available for both solar water heating and solar electric (photovoltaic, or PV) systems, 30% of the installed system cost can be deducted from the taxes you owe – with a cap of \$2,000 per technology.

In Florida, solar water heaters must be certified by the Florida Solar Energy Center. Both solar water heating and PV systems must be installed by a licensed contractor, qualified by the state to install solar equipment.

What about energy conservation incentives?

Home energy efficiency improvements can garner you additional tax credits – as much as \$500 over the next two years. These improvements include installing:

- additional insulation to walls, ceilings, or other part of the building envelope
- replacement windows
- high-efficiency gas, oil and propane furnaces and boilers
- high-efficiency central air conditioning units, including air-source and ground-source heat pumps
- high-efficiency fans for heating and cooling systems
- high-efficiency water heaters, including heat pump water heaters

I am on Social Security and have no other income. How can I benefit from these tax credits?

You must have a tax liability in order to claim the credits. While a solar energy system will reduce your utility bill, you most likely will not benefit from the tax credit.

How much should I expect to pay for a solar water heater or photovoltaic system for my home?

The cost of a solar energy system will vary depending on the type and size of the system you select. We recommend that you obtain several quotes from solar companies and check their references, just as you would with any other consumer purchase. Compare the energy savings and cost of each system. Remember, maximize your investment in the energy savings, not the amount of the tax credit you will receive. That means installing the system size that's right for your needs. The tax credit is an added benefit, and should not drive your purchase decision.

How long does the tax credit last?

As it currently stands, these tax credits apply to energy efficiency measures and solar systems installed in 2006 or 2007. The sooner you buy, the sooner you begin saving!

Want to know more?

The Florida Solar Energy Research & Education Foundation keeps up-to-date tax credit and solar contractor links (click on "homeowner program") on their website at www.flaseref.org. For comprehensive information on commercial and residential solar tax credits visit www.seia.org/manualdownload.php.



The purpose of this document is to provide general information to the public about energy tax credits and should not be construed as legal advice. Consumers are advised to consult with their tax accountant or attorney for individual guidance.