

Energy Star Tax Credits

In addition to limits on the amount of credit you can claim for any particular equipment installation or home improvement, there are annual aggregate limits. The overall total limit for an efficiency tax credit in one year is \$3,200. This breaks down to a total limit of \$1,200 for any combination of home envelope improvements (windows/doors/skylights, insulation, electrical) plus furnaces, boilers and central air conditioners. Any combination of heat pumps, heat pump water heaters and biomass stoves/boilers are subject to an annual total limit of \$2,000.

Heating & Cooling Systems

Category	Credit	Eligibility
Air Source Heat Pumps	30% of project cost, up to \$2,000	ENERGY STAR Cold Climate, SEER2 ≥ 16, EER2 ≥ 9, HSPF2 ≥ 9.5
Biomass Stoves/Boilers	30% of project cost, up to \$2,000	Biomass fuel (agricultural crops, wood pellets, grasses, residues), Thermal Efficiency ≥ 75% (HHV)
Central Air Conditioners	30% of project cost, up to \$600	Split Systems: ENERGY STAR, SEER2 ≥ 16; Packaged Systems: All ENERGY STAR certified systems qualify
Furnaces (Natural Gas, Oil)	30% of project cost, up to \$600	Gas furnaces: ENERGY STAR, AFUE ≥ 97%; Oil furnaces: Must use at least 20% biodiesel/renewable diesel/second-gen biofuel
Hot Water Boilers (Gas, Propane, Oil)	30% of project cost, up to \$600	Gas boilers: ENERGY STAR, AFUE ≥ 95%; Oil boilers: Must use at least 20% biodiesel/renewable diesel/second-gen biofuel
Geothermal Heat Pumps	30% of project cost	Must use ground or groundwater as a thermal energy source, ENERGY STAR certified

Water Heating

Category	Credit	Eligibility
Heat Pump Water Heaters	30% of project cost, up to \$2,000	Must be ENERGY STAR certified
Natural Gas Water Heaters	30% of project cost, up to \$600	Gas storage: ENERGY STAR, UEF ≥ 0.81 (<55 gallons) or UEF ≥ 0.86 (≥55 gallons); Tankless: ENERGY STAR, UEF ≥ 0.95

Home Envelope Improvements

Category	Credit	Eligibility
Exterior Doors	30% of product cost, up to \$500 (\$250 per door)	Must be ENERGY STAR certified
Windows & Skylights	30% of product cost, up to \$600	Must meet ENERGY STAR Most Efficient criteria

Electrical & Energy Audits

Category	Credit	Eligibility
Electric Panel Upgrade	30% of project cost, up to \$600	Must comply with National Electric Code, ≥ 200 amps, must support energy efficiency upgrades
Home Energy Audit	30% of costs, up to \$150	Must include a certified written report with energy-saving recommendations

Renewable Energy Systems

Category	Credit	Eligibility
Solar Energy Systems (Panels & Water Heaters)	30% of project cost (installation included)	Solar Water Heaters: SRCC certified, $\geq 50\%$ energy from the sun; Solar Panels: Must meet fire/electrical code requirements, no pools/hot tubs
Small Wind Turbines (Residential)	30% of project cost (installation included)	Must generate electricity for residential use
Fuel Cells (Residential & Microturbine Systems)	30% of project cost, up to \$500 per 0.5 kW	Must be ≥ 0.5 kW, installed at primary residence, $\geq 30\%$ electricity generation efficiency

Here are some examples of how you can sequence the work to fully utilize these credits

Example 1:

Get an energy audit and improve your home's envelope

A home energy audit can help you identify the most significant and cost-effective energy efficiency improvements your home can benefit from. Additionally, if you are considering upgrading your heating and cooling system, it is wise to optimize your attic insulation first, to reduce the air leaks that contribute to energy waste and make your home less comfortable. Individually, you could claim 30% of the cost of the home energy audit up to \$150 and you could claim 30% of the product cost of the insulation, up to \$1,200.

Doing both of these upgrades in one year, you can claim a maximum of \$1,200.

Example 2:

Upgrade your heating and cooling systems

After Example 1 upgrades, you decide to replace your heating and cooling system for maximum efficiency. You purchase an air-source heat pump that qualifies for the energy efficient home improvement credit. In the same tax year you can claim 30% of the cost of that project, for up to an additional \$2,000.

Combined with Example 1 (for which you can claim \$1,200), your total claim amount would now be \$3,200, which is the maximum allowed in one taxable year.

Example 3:

Replace old windows and doors and get a new heat pump water heater

Suppose you need to replace old windows, two exterior doors, and install a new heat pump water heater in your home. ENERGY STAR Most Efficient windows qualify for the energy efficient home improvement credit. By further improving your home's envelope with new ENERGY STAR certified exterior doors and a heat pump water heater, you can claim:

up to \$600 (or 30% of the product cost) for upgrading your windows in one taxable year.

30% of the product cost up to \$250 per door (\$500 maximum in one taxable year).

30% of the project costs, up to \$2,000 for the heat pump water heater.

Your total claim amount would be \$3,100 for one taxable year.