

# Energy Tax Credits

Lawrence Pon

CPA/PFS, CFP, EA, USTCP, AEP

[www.larryponcpa.com](http://www.larryponcpa.com)

<https://www.linkedin.com/in/lawrencepon/>

# Lawrence Pon

- Lawrence Pon is a Certified Public Accountant, Personal Financial Specialist, Certified Financial Planner, Enrolled Agent, United States Tax Court Practitioner, and Accredited Estate Planner in Redwood Shores, CA
- Mr. Pon has been in practice since 1986 and speaks regularly to tax professionals and financial advisors on the latest tax planning and preparation topics nationally.
- Mr. Pon teaches Income Tax at the College of San Mateo
- Mr. Pon received his BS in Business Administration from UC Berkeley and MS in Taxation from Golden Gate University in San Francisco

# Energy Efficient Home Improvement Credits

- IRS FS 2022-40 FAQs
- Make a qualifying improvement to their primary home
  - May be able to use for 2<sup>nd</sup> home
  - Not rental property
- [www.energy.gov](http://www.energy.gov)
  - Complete list of qualified improvements and energy efficiency requirements

# Energy Efficient Home Improvement Credits

- Improvements
  - Exterior doors
  - Windows, skylights
  - Insulation materials
  - Central air conditioners
  - Heat pumps and heat pump water heaters
  - Biomass stoves and boilers
  - Home energy audits

# Energy Efficient Home Improvement Credits

- \$1,200 for energy property costs and certain energy home improvements
  - \$250/door - \$500 total
  - \$600 – windows
  - \$150 – home energy audits
- \$2,000 per year for qualified heat pumps, biomass stoves or biomass boilers
- No life time limit
- Not refundable and not subject to carryover

# Residential Clean Energy Credit

- Invest in renewable energy
  - Solar, wind and geothermal power generation
  - Solar water heaters
  - Fuel cells
  - Battery storage
- 2022-2032 = 30%
  - No lifetime limit
- Form 5695

# Residential Clean Energy Credit

- Only the component part of a property that actually generates electricity for the dwelling unit is eligible
  - Including labor costs
  - Roof?
- Solar water heating
  - Not swimming pool or hot tub
- Not solar air heater
- Fuel cell
  - Dollar limit = \$500 for each .5 kilowatt of capacity
- Battery storage
  - At least 3 kilowatt hours capacity

# Qualified Refueling Property Credit

- Storage or dispensing of alternative fuel of a motor vehicle
- Alternative fuel
  - Electricity
  - Compressed natural gas, liquefied natural gas, liquefied petroleum gas, natural gas, hydrogen, and ethanol
  - Qualifying mixture of biodiesel, diesel fuel, or kerosene
- Bidirectional charging and certain electric charging stations
- 30% credit
  - 6% of depreciable property
    - If it does not meet certain prevailing wage and apprenticeship requirements



# Qualified Refueling Property Credit

- Maximum credit
  - \$1,000 nondepreciable property
  - \$100,000 for property used in business
- Complicated rules for dual use property

# Home Energy Rebates

- States to provide incentives to purchase qualifying property
- [www.energy.gov](http://www.energy.gov)
  - \$8.8 billion in rebates for home energy efficiency
  - Office of State and Community Energy Programs
    - Applications for states to apply for program funds
- [www.whitehouse.gov/cleanenergy](http://www.whitehouse.gov/cleanenergy)
- Rebates obtained at purchase
  - Income based
  - Appliance based

# Example #1

- 2 doors at \$1,000 each
  - 30% = \$300
    - \$250 maximum each
    - \$500 credit
- Windows & skylights = \$2,200
  - 30% = \$660
    - \$600 limit
- Central air conditioner = \$5,000
  - 30% = \$1,500
    - \$600 maximum
- $\$500 + \$600 + \$600 = \$1,700$ 
  - \$12,00 maximum Efficient Home Improvement Credit

## Example #2

- Same as #1
- Instead of purchasing central AC
  - Purchase and install an electric heat pump for \$5,000
    - 30% = \$1,500
      - Exempt from \$600 limit and \$1,200 aggregate limit
        - Claim \$1,500 for cost of heat pump alone
- \$500 (doors) + \$600 (windows) + \$1,500 (heat pump) = \$2,600

# Example #3

- Same as #1
- Instead of purchasing central AC, purchase electric heat pump for \$8,000
  - 30% = \$2,400
    - \$2,000 limit
- Spends \$800 on home energy audit performed by a properly certified home energy auditor
  - 30% = 180
    - Limit = \$150
- \$500 (doors) + \$600 (windows) + \$2,000 (heat pump) + \$150 (energy audit) = \$3,250
  - However the limit for doors, windows & energy audit = \$1,200
    - Total Efficient Home Improvement Credit = \$1,200 + \$2,000 = \$3,200

Lawrence Pon  
CPA/PFS, CFP, EA, USTCP, AEP

[www.larryponcpa.com](http://www.larryponcpa.com)

[linkedin.com/in/lawrencepon](https://www.linkedin.com/in/lawrencepon)

