

Energy Provisions in the Stimulus Package

By Bethany K. Lusby, CPA

The American Reinvestment and Recovery Act contained a number of provisions of which our clients may be able to take advantage.

Residential Energy Property Credit: This increases the energy tax credit for homeowners who make energy efficient improvements to their existing homes. The new law increases the credit rate to 30 percent of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 for improvements placed in service in 2009 and 2010.

The credit applies to improvements such as adding insulation, energy-efficient exterior windows and energy-efficient heating and air-conditioning systems.

Residential Energy Efficient Property Credit: This nonrefundable energy tax credit will help individual taxpayers pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines. The new law allows for a credit equal to 30 percent of the cost of qualified property.

Plug-in Electric Drive Vehicle Credit: This modifies the credit for qualified plug-in electric drive vehicles purchased after December 31, 2009. To qualify, vehicles must be newly purchased, have four or more wheels, have a gross vehicle weight rating of less than 14,000 pounds, and draw propulsion using a battery with at least four kilowatt hours that can be recharged from an external source of electricity. The minimum amount of the credit for qualified plug-in electric drive vehicles is \$2,500; and the credit tops out at \$7,500, depending on the battery capacity.

Plug-in Electric Vehicle Credit: This credit creates a special tax credit for two types of plug-in vehicles — certain low-speed electric vehicles and two- or three-wheeled vehicles. The amount of the credit is 10 percent of the cost of the vehicle, up to a maximum credit of \$2,500 for purchases made after February 17, 2009, and before January 1, 2012. To qualify, a vehicle must be either a low-speed vehicle propelled by an electric motor that draws electricity from a battery with a capacity of 4 kilowatt hours or more or be a two- or three-wheeled vehicle propelled by an electric motor that draws electricity from a battery with the capacity of 2.5 kilowatt hours. A taxpayer may not claim this credit if the plug-in electric drive vehicle credit is allowable.

Conversion Kits: The new law also provided a tax credit for plug-in electric drive conversion kits. The credit is equal to 10 percent of the cost of converting a vehicle to a qualified plug-in electric drive motor vehicle and placed in service after February 17, 2009. The maximum amount of the credit is \$4,000. The credit does not apply to conversions made after December 31, 2011. *A taxpayer may claim this credit even if the taxpayer claimed a hybrid vehicle credit for the same vehicle in an earlier year.*

SHAREHOLDERS

Martin R. Glickstein, CPA
mglickstein@glccpa.com

Rodney S. Laval, CPA
rlaval@glccpa.com

W. Neal Carris, CPA
ncarris@glccpa.com

James M. Loomis, CPA
jloomis@glccpa.com

Mary C. Dantuma, CPA
mdantuma@glccpa.com

Bethany K. Lusby, CPA
blusby@glccpa.com

Richard M. Ornstein, CPA
ronstein@glccpa.com

Paula M. Taylor, CPA
ptaylor@glccpa.com

J. Russell Hamlin, CPA
rhamlin@glccpa.com

PRINCIPAL

T. Shepard Burr, CPA
sburr@glccpa.com