

## ENERGY SERIES: Federal Energy Tax Credit or Virginia Energy Rebate

Martha A. Walker, Ph.D, Community Viability Specialist, Central District  
Robert "Bobby" Grisso, Extension Engineer, Biological Systems Engineering  
John Ignosh, Area Specialist, Agricultural Byproduct Utilization, Northwest District

### **Energy Rebate or Tax Credit?**

Virginians have a great opportunity to implement projects that improve energy efficiency or that utilize new energy technologies. Congress has provided financial incentives through federal tax credits and through additional revenue provided to Virginia to support energy efficient improvements or installation of alternative energy equipment.

In February President Obama signed into law the American Recovery and Reinvestment Tax Act (ARRTA) of 2009 providing new tools for addressing America's economic recovery. Homeowners seem to be specifically interested in the provisions for extended and modified tax credits for windows, doors, and skylights established in the Energy Policy Act of 2005. In addition, first-time homebuyers cheered when on November 6, The Worker, Homeownership and Business Assistance Act of 2009 was signed into law and expanded the first-time homebuyer credit (Internal Revenue Services: <http://www.irs.gov/newsroom/article/0,,id=204335,00.html>).

Virginia's Department of Mines, Minerals and Energy has allocated up to \$15 million made available through The American Recovery and Reinvestment Act to provide rebates for renewable energy equipment and systems for residential and commercial applications. The Virginia Energy Efficiency Renewable Energy Rebate Program offers rebates of 20 percent of the total cost of equipment and labor for energy efficiency measures and equipment not to exceed \$2,000 residential or \$4,000 commercial. There are specific qualifications that must be met, and it is imperative that the homeowner

understand the requirements and follow the guidelines.

With two opportunities to receive financial assistance (energy tax credit and/or energy rebate), Virginia homeowners are assessing their needs, defining energy efficient solutions, identifying the resources, and submitting the appropriate applications and documentations. Virginia residents are creating an energy efficient Commonwealth.

### **Federal Tax Credit**

Individuals striving to become more energy conscious and implement energy-saving measures are finding the tax credits made available through ARRTA to be true incentives. Among the list of provisions on the Internal Revenue Services website, available at (<http://www.irs.gov/newsroom/article/0,,id=206875,00.html>), includes:

### **Energy Efficiency and Renewable Energy**

**Incentives** provide the requirements for efficiency and renewable energy incentives for a) energy property credit, b) electric drive vehicle credit, c) conversion kits, and d) alternative motor vehicle credit. The website provides the following information on each incentive.

**Residential Energy Property Credit (Section 1121):** Homeowners who make energy efficient improvements to their existing homes may be eligible to receive 30 percent up to \$1,500 of the cost of all qualifying improvements placed in service in 2009 and 2010.

- Improvements include adding insulation, energy efficient exterior windows, and energy-efficient heating and air

conditioning systems. Windows, doors, and skylights purchased on or after June 1, 2009, must have a U-factor and Solar Heat Gain Coefficient (SHGC) ratings of 0.30 or less representing a change from the 2007 standards. These ratings must be certified by the National Fenestration Rating Council (NFRC).

- Homeowners are required to obtain a manufacturer certification statement documenting product eligibility for the tax credit.

[http://www.energystar.gov/index.cfm?c=windows\\_doors.pr\\_taxcredits](http://www.energystar.gov/index.cfm?c=windows_doors.pr_taxcredits)

**Residential Energy Efficient Property Credit (Section 1122):** Homeowners who install qualified residential alternative energy equipment such as solar hot water heaters, geothermal heat pumps, and wind turbines may be eligible “for a credit equal to 30 percent of the cost of qualified property.”

**Plug-in Electric Drive Vehicle Credit (Section 1141):** The new law 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. The full amount of the credit will be reduced with respect to a manufacturer's vehicles after the manufacturer has sold at least 200,000 vehicles.

**Plug-In Electric Vehicle Credit (Section 1142):** The new law also 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 Feb. 17, 2009, and before Jan. 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. For more information see: [IR-2009-44](#), [Notice 2009-54](#) and [Notice 2009-58](#).

**Conversion Kits (Section 1143):** 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 Feb. 17, 2009. The maximum amount of the credit is \$4,000. The credit does not apply to conversions made after Dec. 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.

**Treatment of Alternative Motor Vehicle Credit as a Personal Credit Allowed Against AMT (Section 1144):** Starting in 2009, the new law allows the Alternative Motor Vehicle Credit, including the tax credit for purchasing hybrid vehicles, to be applied against the Alternative Minimum Tax. Prior to the new law, the Alternative Motor Vehicle Credit could not be used to offset the AMT. This means the credit could not be taken if a taxpayer owed AMT or was reduced for some taxpayers who did not owe AMT.

## **Virginia Energy Efficiency and Renewable Energy Rebate Programs**

The Virginia Department of Mines, Minerals and Energy (DMME) has allocated up to \$15 million made available through the American Recovery and Reinvestment Act to provide rebates for renewable energy equipment and systems for residential and commercial applications. Projects must meet the requirements and funds must be

available for rebates to be awarded. The program includes two components: a) Virginia Energy Efficiency Rebate Program and b) Virginia Residential and Commercial Solar and Wind Incentive Program. Eligibility for a federal tax credit does not guarantee eligibility for a Virginia rebate.

### **Virginia Energy Efficiency Rebate Program**

(<http://www.dmme.virginia.gov/DE/ARRA-Public/SEPRebate.shtml>) provides a rebate of 20 percent of the total cost of equipment and labor for energy efficiency measures and equipment not to exceed \$2,000 residential or \$4,000 commercial. Equipment and each efficiency measure has specific energy qualifications that must be met with all requirements available at the DMME website (<http://www.dmme.virginia.gov/DE/ARRA-Public/EEMeasuresRequirements.shtml>). The list includes:

1. Energy audits (not to exceed \$250 with a listing of auditors available at <http://www.dmme.virginia.gov/DE/ARRA-Public/EnergyAudit.shtml>)
2. Central air conditioner
3. Air source heat pump
4. Natural gas or propane furnace
5. Oil furnace
6. Gas, propane, or oil hot water heater
7. Gas, oil, or propane tankless water heater
8. High efficiency gas storage (tank) water heater
9. Electric heat pump water heater
10. Geo-thermal heat pumps
11. Insulation and air sealing
12. Replacement windows, doors, and skylights
13. Storm windows and storm doors
14. Programmable thermostat
15. Commercial lighting upgrades
16. High efficiency motors and drives
17. Compressed air or steam system upgrades

Individuals and/or businesses planning to implement any of the listed energy efficiency measures or equipment are required to follow a defined process.

- **Step 1:** Confirm the equipment, systems, and services eligible for energy efficiency rebates  
<http://www.dmme.virginia.gov/DE/ARRA-Public/EEMeasuresRequirements.shtml>
- **Step 2:** Acknowledge reading and understanding terms and conditions and electronically accept terms and conditions. See *Energy Efficiency General Terms and Conditions*  
<http://www.dmme.virginia.gov/DE/ARRA-Public/SEPRebate.shtml>
- **Step 3:** Create a New User account at <http://www.virginia.gov/eerebates> or log into an existing account.
- **Step 4:** Select “New Project” and submit an on-line request to conditionally reserve energy efficiency rebate funds. Remember to fill in each required field (those with the red dots).
- **Step 5:** Receive a “Reservation Approval” e-mail from DMME.
- **Step 6:** Print the Energy Efficiency Checklist and Contractor Form outlining the required documentation and a contractor form to help ensure compliance with requirements  
<http://www.dmme.virginia.gov/DE/ARRA-Public/SEPRebate.shtml>
- **Step 7:** Complete the project within 180 days of the request to conditionally reserve the rebate funds.

***New applications to the Efficiency Rebate Program closed on November 18, 2009. Current requests to reserve rebates exhausted the first round of funds. A second round of rebate funds is expected to be made available at a later date to be determined.***

***Virginia Residential and Commercial Solar and Wind Incentive Program*** provides rebates for renewable energy systems to retrofit homes and commercial property helping Virginians to gain experience and exposure to solar and wind power technologies and to grow the industry in Virginia.

Solar thermal, solar electric, and small wind power systems that meet certain criteria will be eligible for rebate funds.

The purpose of these funds is to stimulate the creation or increase retention of jobs. To apply for this program rebate:

- **Step 1:** Read the *Solar and Wind Incentive Program **guidelines and terms and conditions*** for details about the program (<http://www.dmme.virginia.gov/DE/ARRA-Public/RenewableEnergyRebateTerms.pdf>). The information is extremely detailed and requirements must be met.
- **Step 2:** Create a New User account at <http://www.virginia.gov/eerebates> or log into an existing account.
- **Step 3:** Submit an online request to conditionally reserve renewable energy rebate funds (<https://epm.virginiainteractive.org/solarwindrebates/>). You will be asked to provide applicant information, system type, system capacity, rebate calculations, and assurances.
- **Step 4:** Receive approval from DMME.
- **Step 5:** Provide a copy of the final approved building inspection report from your local building code inspector.
  - Grid interconnected, or “net metered” systems must submit a copy of the Net Metering Interconnection Notification as submitted to their local electric utility ([http://leg1.state.va.us/cgi-](http://leg1.state.va.us/cgi-bin/legp504.exe?000+reg+TOC20005.HTM#C0315)

[bin/legp504.exe?000+reg+TOC20005.HTM#C0315](http://leg1.state.va.us/cgi-bin/legp504.exe?000+reg+TOC20005.HTM#C0315)).

- Solar thermal applicants must provide documentation that their system meets SRCC certification standards detailed below.
- Provide documentation that the system meets all applicable standards as detailed for each technology.

## Other Resources

Owners of homes and commercial property are well-positioned to invest in energy efficiency measures and equipment and have multiple financial incentives. In addition, numerous resources are available to provide guidance in selecting the appropriate tools to achieve energy goals. For example, the *Energy Resource Guide for Virginia* (<http://www.energyguide.ext.vt.edu/>), *Energy Star* (<http://www.energystar.gov/>), the *Database of State Incentives for Renewables & Efficiency* (<http://www.dsireusa.org>), and *Virginia Energy Savers Handbook* (<http://www.dmme.virginia.gov/de/consumerinfo/energysaverhandbook.shtml>) are just some of the tools to guide you in completing your energy projects.

Homeowners can find the Factsheets (<http://pubs.ext.vt.edu/category/energy.html>) developed by Virginia Cooperative Extension as part of the NASULGC/DOE Building Science Community of Practice to be especially useful for obtaining specific project information.

DISCLAIMER – This piece is intended to give the reader only general factual information current at the time of publication. This piece is not a substitute for professional advice and should not be used for guidance or decisions related to a specific design or construction project. This piece is not intended to reflect the opinion of any of the entities, agencies or organizations identified in the materials and, if any opinions appear, are those of the individual author and should not be relied upon in any event.