



Consumer Energy Tax Incentives

What the American Recovery and Reinvestment Act Means to You

The American Recovery and Reinvestment Act of 2009 extended many consumer tax incentives originally introduced in the Energy Policy Act of 2005 (EPACT) and amended in the Emergency Economic Stabilization Act of 2008 (P.L. 110-343).

See the summary of the energy tax incentives included in the [Emergency Economic Stabilization Act of 2008](#).

ABOUT TAX CREDITS

A tax credit is generally more valuable than an equivalent tax deduction because a tax credit reduces tax dollar-for-dollar, while a deduction only removes a percentage of the tax that is owed. Consumers can itemize purchases on their federal income tax form, which will lower the total amount of tax they owe the government.

Fuel-efficient vehicles and energy-efficient appliances and products provide many benefits such as better gas mileage –meaning lower gasoline costs, fewer emissions, lower energy bills, increased indoor comfort, and reduced air pollution.

In addition to federal tax incentives, some consumers will also be eligible for utility or state rebates, as well as state tax incentives for energy-efficient homes, vehicles and equipment. Each state's energy office web site may have more information on specific state tax information.

Below is a summary of many of the tax credits available to consumers. Please see the ENERGY STAR® page on [Federal Tax Credits for Energy Efficiency](#) for more details on federal incentives and the [Database of State Incentives for Renewables and Efficiency](#) (DSIRE) for information on federal, state, local, and utility incentives.

HOME ENERGY EFFICIENCY IMPROVEMENT TAX CREDITS

Consumers who purchase and install specific products, such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes can receive a tax credit for 30% of the cost, up to \$1,500, for improvements "placed in service" starting January 1, 2009, through December 31, 2010. See EnergyStar.gov's [Federal Tax Credits for Energy Efficiency](#) for a complete

summary of energy efficiency tax credits available to consumers.

RESIDENTIAL RENEWABLE ENERGY TAX CREDITS

Consumers who install solar energy systems (including solar water heating and solar electric systems), small wind systems, geothermal heat pumps, and residential fuel cell and microturbine systems can receive a 30% tax credit for systems placed in service before December 31, 2016; the previous tax credit cap no longer applies.

AUTOMOBILE TAX CREDITS

Hybrid Gas-Electric and Alternative Fuel Vehicles

Individuals and businesses who buy or lease a new hybrid gas-electric car or truck are eligible for an income tax credit for vehicles “placed in service” starting January 1, 2006, and purchased on or before December 31, 2010. The amount of the credit depends on the fuel economy, the weight of the vehicle, and whether the tax credit has been or is being phased out. Hybrid vehicles that use less gasoline than the average vehicle of similar weight and that meet an emissions standard qualify for the credit.

This tax credit will be phased out for each manufacturer once that company has sold 60,000 eligible vehicles. At that point, the tax credit for each company’s vehicles will be gradually reduced over the course 15 months. See the IRS's [Summary of the Credit for Qualified Hybrid Vehicles](#) for information on the status of specific vehicle eligibility.

Alternative-fuel vehicles, diesel vehicles with advanced lean-burn technologies, and fuel-cell vehicles are also eligible for tax credits. See the IRS summary of credits available for [Alternative Motor Vehicles](#).

Plug-In Electric Vehicles

The Recovery Act modifies the credit for qualified plug-in electric drive vehicles purchased after Dec. 31, 2009. 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. To qualify, vehicles must be newly purchased, have four or more wheels, have a gross vehicle weight rating of less than 14,000 lbs, and draw propulsion using a battery with at least four kilowatt hours that can be recharged from an external source of electricity. 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. The credit will then phase out over a year.

Please see IRS Notices [2009-54: Qualified Plug-in Electric Vehicle Credit](#) (PDF 29kb) and [2009-58: Qualified Plug-In Electric Vehicle Credit Under Section 30](#) (PDF 19kb) for more information (requires Adobe Acrobat Reader).

Plug-In Hybrid Conversion Kits

The Recovery Act also provided a tax credit for plug-in electric drive conversion kits. The credit is

equal to 10% 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.

Please see the IRS website for more information on [Alternative Motor Vehicle Credits](#).

Low Speed & 2/3 Wheeled Vehicles

The Recovery Act law also creates a special tax credit for two types of plug-in vehicles - certain low-speed electric vehicles and 2- or 3-wheeled vehicles. The amount of the credit is 10% 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 2- or 3-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. Please see [IRS Notice 2009-58: Qualified Plug-In Electric Vehicle Credit Under Section 30](#) for more information (PDF 19kb, requires [Adobe Acrobat Reader](#)).

Additional Tax Breaks

View some of the other tax incentives for:

- [Businesses](#)
- [Businesses & Utilities](#)
- [Governments](#)