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2009 is a boom year for energy credits for individuals

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[1]

Here's a quick look at the energy credits that are available to individuals for 2009.

Residential Energy Property Credit (Section 1121). This credit is for energy improvements to your existing home. Qualifying improvements include: insulation, energy efficient exterior windows, energy efficient heating and air conditioning, roofs, and doors. The maximum credit allowed is 30 percent of the cost of improvements placed in service in 2009 or 2010. This is an increase from the previous level of 10 percent in 2007 (there was no credit in 2008). Also, the dollar caps on various types of expenditures are removed, and replaced with an overall credit cap of \$1,500 that applies to the total amount that can be claimed for 2009 and 2010 together. The standards for qualifying for the credit are higher than in 2007 (see **IRS Notice 2009-53** [2] for details). This credit can be used to reduce regular tax as well as AMT.

Residential Energy Property Credit (Section 1122). The Section 1122 credit is nonrefundable. It encourages the use of alternative energy equipment by defraying the cost. Included are:

- solar hot water heaters
- certain wind turbines
- geothermal pumps
- equipment for solar electricity generation
- fuel cell equipment

Of these, only fuel cell equipment has a dollar cap (\$500 per .5 kilowatt hour of fuel cell

capacity). The maximum credit is 30 percent of the cost of qualified property. This credit can also be used to offset the AMT.

Credit for Plug-In Electric Vehicle (Section 1142). Two types of plug-in vehicles qualify for the Section 1142 credit:

- Certain low-speed electric vehicles that are each propelled by an electric motor that draws energy from a battery with at least a four kilowatt hour capacity. These vehicles must have four wheels, reach speeds of 20 to 25 mph, and have a gross vehicular weight of no more than 3,000 pounds.
- Two or three wheeled vehicles that are each propelled by an electric motor that draws electricity from a battery with 2.5 kilowatt hour capacity. The credit is for 10 percent of the vehicle cost, up to a maximum of \$2,500, and cannot be claimed if the plug-in electric drive vehicle credit* is allowable. Purchases must be made after February 17, 2009 and before January 1, 2012.

***Plug-in Electric Drive Vehicle Credit (Section 1141)** is only available for qualifying cars purchased after December 31, 2009. Vehicles qualifying for this credit 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 credit is \$2,500 to \$7,500, based on battery capacity.

Conversion Kits. (Section 1143). These credits are available to individuals who use conversion kits to change cars to qualified plug-in electric drive vehicles. The allowable credit is equal to 10 percent of the cost of conversion up to a maximum of \$4,000. Converted vehicles must be placed in service after February 17, 2009 and before December 31, 2011. The credit for converting a vehicle may be claimed even if the taxpayer has claimed a hybrid credit for the same vehicle in an earlier year.

The qualified new gas-electric hybrids [3] credit. The hybrid credit is not new, but it is still available for some cars. Partial credits are still available for Ford and Mercury hybrids. Mazda, and certain General Motors vehicles still qualify through December 31, 2010. The amount is between \$1,950 and \$3,000.

The **qualified new lean-burn credit [4]** is also still available for cars such as the lean burn vehicles made by Volkswagen. The minimum amount allowed is \$900 and the maximum is \$1,800. Lean-burn credits are deducted directly from the tax owed, reducing or eliminating the taxpayer's liability.

The **fuel cell vehicles credit [5]** is based on the weight of the car and the date placed in service. A fuel cell vehicle cannot exceed weight of 8,500 pounds. The maximum credit is \$8000 if placed in service before December 31, 2009. After that date, the credit is reduced to \$4,000.

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