

“Stimulus Package”

FAQs For Honeywell Contractors

To help you understand how the American Recovery and Reinvestment Act of 2009 — better known as the “stimulus package” — can positively impact your business, Honeywell has put together this snapshot of frequently asked questions and answers. Most of the information here can be found at www.energytaxincentives.org, an excellent resource for detailed information.*

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* Information has been compiled from www.energystar.gov and www.energytaxincentives.org and is based on our interpretation. This FAQ is not a complete guide for ARRA tax credits, additional research may be required based on project type and qualifying criteria.



General Tax Credit (ARRA) Information



The Stimulus Bill offers homeowners up to a \$1,500 tax credit when they make energy-efficiency improvements to their home in 2009 and 2010.

Q What do these tax credit opportunities mean to homeowners?

A The installation of any qualifying energy-efficient improvement in 2009-2010 qualifies the homeowner for a tax credit of 30% of the cost up to a maximum of \$1,500. Because tax credits are subtracted directly from the tax due, the result is a true 30% savings up to the maximum amount.

Q What energy-efficient home improvements are eligible for tax credits?

A Tax credits are available at 30% of the cost, up to \$1,500 total, for home improvements placed in service in 2009 and 2010 in the following categories:

- Windows and Doors
- Insulation
- Roofs — Metal and Asphalt
- HVAC
- Water Heaters — Non-Solar
- Biomass Stoves

Q Do all residential homes qualify?

A No, the \$1,500 tax credit is only available to upgrades to existing homes and must be the owner's primary residence. Rental units, vacation homes and new construction do not qualify. To learn about homebuilder tax credits, visit www.energystar.gov.

Q Is the \$1,500 tax credit available for each improvement? Does the \$1,500 credit apply in both 2009 and 2010?

A No, the \$1,500 tax credit is a total combined credit for all improvements through 2009 and 2010. A homeowner can qualify for the full credit amount with any single purchase or addition of several purchases. Any single qualifying purchase with an installed cost of more than \$5,000 will instantly earn the \$1,500 maximum.

Q What if a homeowner spends less than \$5,000?

A They'll earn a 30% tax credit on the amount spent and can claim the remaining amount (the difference between the credit they received and \$1,500) if any qualifying purchases are made during the qualifying time period.



General Tax Credit (ARRA) Information (cont.)

Q Is there an income limit on the \$1,500 tax credit?

A There's no upper or lower limit on income for applying for the energy efficient tax credits. However, these energy efficiency tax credits are technically “non-refundable” which means you can't get more money back at the end of the year than you've paid in income taxes throughout the year.

Q How do homeowners claim the tax credits?

A In the past, the IRS has directed taxpayers to use Form 5695 (Residential Energy Efficient Property Credit) with their tax returns. Taxpayers are not required to file anything more than the form, but are instructed to keep records of their installation. It may be necessary for contractors to itemize information on a final bill so that taxpayers can properly claim the deduction.

Q Should I guarantee the tax credit to the homeowner?

A You're an HVAC specialist, not a tax specialist. Each homeowner's tax situation is different, so it's best to simply explain the tax credits and say that “you may” be able to claim them. You should encourage them to see if the manufacturer has certified that their equipment qualifies for the tax credit. Taxpayers must keep a copy of the certification statement for their records, but do not have to submit a copy with their tax return.

HVAC Installation Qualifications

Q How does the American Recovery and Reinvestment Act (ARRA) affect the HVAC Industry?

A The ARRA plan includes significant tax incentives over the next two years for homeowners who make qualified energy efficiency improvements to their homes — including HVAC systems.

Q What residential HVAC equipment qualifies for these tax credits?

A Here's a summary of HVAC-related tax credits:

HVAC	Central A/C	Split Systems: EER \geq 13 SEER \geq 16 Package Systems: EER \geq 12 SEER \geq 14	30% of cost, up to \$1,500
	Air Source Heat Pumps	Split Systems: HSPF \geq 8.5 EER \geq 12.5 SEER \geq 15 Package Systems: HSPF \geq 8 EER \geq 12 SEER \geq 14	30% of cost, up to \$1,500
	Natural Gas or Propane Furnace	AFUE \geq 95	30% of cost, up to \$1,500
	Oil Furnace	AFUE \geq 90	30% of cost, up to \$1,500
	Gas, Propane, or Oil Hot Water Boiler	AFUE \geq 90	30% of cost, up to \$1,500
	Advanced Main Air Circulating Fan	No more than 2% of furnace total energy use.*	30% of cost, up to \$1,500
Geo-Thermal Heat Pump	Geo-Thermal Heat Pump	Same criteria as ENERGY STAR: Closed Loop: EER \geq 14.1 COP \geq 3.3 Open Loop: EER \geq 16.2 COP \geq 3.6 Direct Expansion: EER \geq 15 COP \geq 3.5	30% of the cost

Equipment must have a Manufacturer Certification Statement to qualify.
For complete details on qualifying products and criteria, visit www.energystar.gov.

* If the furnace and fan/motor are purchased separately, they may not qualify for the tax credit.
See www.energystar.gov for additional information.

Installation Qualifications (cont.)

Q What is a Manufacturer's Certification?

A A Manufacturer's Certification is a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit. The IRS encourages manufacturers to provide these Certifications on their website to facilitate identification of qualified products. Taxpayers must keep a copy of the certification for their records, but do not have to submit a copy with their tax return.

Q Does a heat pump need to meet the minimum standards for each of the criteria to qualify, or just one?

A Heat pumps must meet each of the minimum standards listed on page 4 to qualify for the tax credits.

Q Do ductless mini-splits meeting the HSPF criteria qualify for the tax credit?

A Yes, as long as they meet or exceed the minimum qualifications for split air-conditioners (16 SEER and 13 EER) or split heat pumps (8.5 HSPF, 15 SEER, 12.5 EER).

Q Do labor costs count, or just the equipment?

A The tax credit is determined by the total installed cost, which includes labor charges for that installation.

Q How do I calculate the tax credit on a furnace/AC combination when both parts don't qualify?

A Homeowners are only eligible for a tax credit on the qualified component of the system. For instance, if the homeowner installs a furnace that meets the 95% AFUE standard but a central air conditioner that's below the standard, the homeowner can claim 30% of the final installation costs up to \$1,500 associated specifically with the 95% AFUE furnace. Should the installation costs associated with the furnace not reach \$5,000, 30% of the installation cost can still be claimed and the difference between that amount and the \$1,500 cap can be applied to any other qualifying improvements. So you separate out the cost of the qualified component, then provide a Manufacturer's Certification Statement for the qualified component.

Q What happens to the products that were "placed in service" between January 1, 2009 and February 16, 2009 that were eligible at that time they were purchased, but are no longer eligible because of the increased qualifications passed on February 17 in the Stimulus Act? Are these products still eligible for the tax credit?

A The qualifications in the Stimulus Act were effective on February 17, 2009. The amount of the tax credit was retroactively effective as of January 1, 2009 (for example, windows were increased from "10%, up to \$200" to "30% up to \$1,500"). So, if a product was installed prior to February 17, 2009, and it met the criteria in effect at the time of installation, the homeowner is eligible for the new tax credit amount (in this example for windows, they'd get the full 30% tax credit, up to \$1,500).

Q Is there anything that allows a tax credit higher than \$1,500?

A \$1,500 is the maximum total amount that can be claimed for all products placed in service in 2009 and 2010 for most home improvements, EXCEPT for geothermal heat pumps, solar water heaters, solar panels, fuel cells, and small wind energy systems which are not subject to this cap, and are in effect through 2016.



Additional Resources

As your business partner, Honeywell is pleased to provide you with this overview. If you need more detailed information or would like to increase your knowledge about the available tax credits for Residential HVAC, here are some excellent resources:

ACEEE (American Council for an Energy-Efficient Economy)

<http://aceee.org/energy/national/taxkey.htm/>

ACCA (Air Conditioning Contractors of America)

<http://www.acca.org/press/news.php?id=215>

AHRI (Air Conditioning, Heating, and Refrigeration Institute)

<http://www.ahrinet.org/Pages/ShowMeMore.aspx?src=single&lpk=741/>

CEE (Consortium for Energy Efficiency)

<http://www.ceehvacdirectory.org/>

ENERGY STAR

http://www.energystar.gov/index.cfm?c=products.pr_tax_credits#s9/

GAMA (Gas Appliance Manufacturers Association)

<http://www.gamanet.org/gama/inforesources.nsf/vContentEntries/Product+Directories?t/>

HARDI (Heating, Air Conditioning and Refrigeration Distributors Intl.)

<http://www.hardinet.org/>

Tax Incentives Assistance Project

<http://www.energytaxincentives.org/general/legislative.php>

Honeywell Residential Homes

www.forwardthinking.honeywell.com/stimulus

Honeywell Commercial Buildings

customer.honeywell.com/stimulus