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## **Internal Revenue Code Section 25C**

### **Nonbusiness energy property**

(a) Allowance of credit.

In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of-

- (1) 10 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year, and
- (2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year.

(b) Limitations.

(1) Lifetime limitation.

The credit allowed under this section with respect to any taxpayer for any taxable year shall not exceed the excess (if any) of \$500 over the aggregate credits allowed under this section with respect to such taxpayer for all prior taxable years ending after December 31, 2005.

(2) Windows.

In the case of amounts paid or incurred for components described in subsection (c)(3)(B) by any taxpayer for any taxable year, the credit allowed under this section with respect to such amounts for such year shall not exceed the excess (if any) of \$200 over the aggregate credits allowed under this section with respect to such amounts for all prior taxable years ending after December 31, 2005.

(3) Limitation on residential energy property expenditures.

The amount of the credit allowed under this section by reason of subsection (a)(2) shall not exceed-

- (A) \$50 for any advanced main air circulating fan,
- (B) \$150 for any qualified natural gas, propane, or oil furnace or hot water boiler, and
- (C) \$300 for any item of energy-efficient building property.

(c) Qualified energy efficiency improvements.

For purposes of this section-

(1) In general.

The term "qualified energy efficiency improvements" means any energy efficient building envelope component, if-

(A) such component is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121),

(B) the original use of such component commences with the taxpayer, and

(C) such component reasonably can be expected to remain in use for at least 5 years.

(2) Energy efficient building envelope component.

The term "energy efficient building envelope component" means a building envelope component which meets-

(A) applicable Energy Star program requirements, in the case of a roof or roof products,

(B) version 6.0 Energy Star program requirements, in the case of an exterior window, a skylight, or an exterior door, and

(C) the prescriptive criteria for such component established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009, in the case of any other component.

(3) Building envelope component.

The term "building envelope component" means-

(A) any insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on such dwelling unit,

(B) exterior windows (including skylights),

(C) exterior doors, and

(D) any metal roof or asphalt roof installed on a dwelling unit, but only if such roof has appropriate pigmented coatings or cooling granules which are specifically and primarily designed to reduce the heat gain of such dwelling unit.

(4) Manufactured homes included.

The term "dwelling unit" includes a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (part 3280 of title 24, Code of Federal Regulations).

(d) Residential energy property expenditures.

For purposes of this section-

(1) In general.

The term "residential energy property expenditures" means expenditures made by the taxpayer for qualified energy property which is-

(A) installed on or in connection with a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121), and

(B) originally placed in service by the taxpayer.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

(2) Qualified energy property.

(A) In general. The term "qualified energy property" means-

(i) energy-efficient building property,

(ii) a qualified natural gas, propane, or oil furnace or hot water boiler, or

(iii) an advanced main air circulating fan.

(B) Performance and quality standards. Property described under subparagraph (A) shall meet the performance and quality standards, and the certification requirements (if any), which-

(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy or the Administrator of the Environmental Protection Agency, as appropriate), and

(ii) are in effect at the time of the acquisition of the property, or at the time of the completion of the construction, reconstruction, or erection of the property, as the case may be.

(C) Requirements and standards for air conditioners and heat pumps. The standards and requirements prescribed by the Secretary under subparagraph (B) with respect to the energy efficiency ratio (EER) for central air conditioners and electric heat pumps-

(i) shall require measurements to be based on published data which is tested by manufacturers at 95 degrees Fahrenheit, and

(ii) may be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency.

(3) Energy-efficient building property.

The term "energy-efficient building property" means-

(A) an electric heat pump water heater which yields a Uniform Energy Factor of at least 2.2 in the standard Department of Energy test procedure,

(B) an electric heat pump which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009,

(C) a central air conditioner which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009, and

(D) a natural gas, propane, or oil water heater which has either a Uniform Energy Factor of at least 0.82 or a thermal efficiency of at least 90 percent.

(E) Repealed.

(4) Qualified natural gas, propane, or oil furnace or hot water boiler.

The term "qualified natural gas, propane, or oil furnace or hot water boiler" means a natural gas, propane, or oil furnace or hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 95.

(5) Advanced main air circulating fan.

The term "advanced main air circulating fan" means a fan used in a natural gas, propane, or oil furnace and which has an annual electricity use of no more than 2 percent of the total annual energy use of the furnace (as determined in the standard Department of Energy test procedures).

(6) Repealed.

(e) Special rules.

For purposes of this section-

(1) Application of rules.

Rules similar to the rules under paragraphs (4), (5), (6), (7) , and (8) of section 25D(e) shall apply.

(2) Joint ownership of energy items.

(A) In general. Any expenditure otherwise qualifying as an expenditure under this section shall not be treated as failing to so qualify merely because such expenditure was made with respect to two or more dwelling units.

(B) Limits applied separately. In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

(3) Property financed by subsidized energy financing.

For purposes of determining the amount of expenditures made by any individual with respect to any property, there shall not be taken into account expenditures which are made from subsidized energy financing (as defined in section 48(a)(4)(C)).

(f) Basis adjustments.

For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection ) result from such expenditure shall be reduced by the amount of the credit so allowed.

(g) Termination.

This section shall not apply with respect to any property placed in service-

(1) after December 31, 2007, and before January 1, 2009, or

(2) after December 31, 2021.