

# Money Management

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Money Management is a weekly column on personal finance prepared and distributed by certified public accountants.

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## **SAVING SOME GREEN BY GOING GREEN**

The last decade has seen a growing interest in "going green," or taking steps to preserve natural resources and protect the environment. But did you know that there can be tax benefits when you take environmentally friendly steps, such as minimizing energy usage? The New Hampshire Society of CPAs explains what you can do to help the environment and cut thousands of dollars off this year's tax bill as well as your home energy costs.

## **NEW INCENTIVES**

Last year's American Recovery and Reinvestment Act extends a tax credit (the Nonbusiness Energy Property Credit) that encourages individuals to make energy-efficient home improvements. While the government has previously offered this incentive for making energy friendly upgrades, the credit percentage and the maximum credit allowed have been increased. You can now receive a tax credit for 30% of the total cost of qualifying improvements, in

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some cases including the price of labor to install the products. A maximum credit of \$1,500 is allowed for all the improvements that you put in place in 2009 and 2010. To qualify for the credit, you must make the improvements to your principal residence between January 1, 2009, and December 31, 2010. The credit does not apply to new construction.

#### **A RANGE OF CHOICES**

What kinds of improvements are covered? They include insulation and energy efficient windows, doors and skylights, some roofs, and a variety of other specified residential energy property.

#### **BENEFITS FOR ALTERNATIVE ENERGY CHOICES**

Those aren't the only incentives available. Another energy tax credit (the Residential Energy Efficient Property Credit) applies to your purchase of qualifying alternative energy equipment, including solar electric systems and water heaters, geothermal heat pumps, and wind turbines. The credit is allowed for up to 30% of the cost of qualifying equipment, including labor in most instances, with no maximum limit on the amount. This credit expires on December 31, 2016, and it is good for existing homes and new construction, as well as both principal

residences and second homes. However, the credit does not apply to rental residences.

### **CHECK THE LABELS**

The products or materials used must meet the Internal Revenue Service standards for energy efficiency, which have been raised for this new credit. As a result, be sure to check for a manufacturer's certification attesting to the fact that the products you use meet IRS standards. Consumers may be familiar with the Department of Energy's Energy Star® label that can be found on many appliances, but not all of these products qualify for these credits (although there are often separate state rebates for products with this label).

### **GET THE FACTS**

You can claim both credits on the tax return you file this year, so be sure to ask your CPA about the details and how to qualify. Tax credits lower the tax you have to pay on a dollar-for-dollar basis, so they are well worth claiming if you qualify.

### **CONSULT YOUR CPA**

Were you surprised to learn that a useful home improvement can actually lower your tax bill? There are many savvy financial

steps you can take that can help fatten your bank account or cut down on your expenses. If you want to learn more about them, be sure to turn to your local CPA. He or she can help you make smart spending and saving decisions and minimize unnecessary expenses.

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