

‘Cut Energy Bills at Home’

New legislation gives credit for efficient retrofits

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Living Green



Recently Sens. Jeff Bingaman, D-N.M., Olympia Snowe, R-Maine, and Dianne Feinstein, D-Calif., introduced the “Cut Energy Bills at Home Act.” This bill proposes the creation of a new performance-based existing homes tax credit (25E). A vote is not yet scheduled.

The Cut Energy Bills at Home Act would provide a \$2,000 credit for home energy-efficiency retrofits to the homeowner for a 20 percent improvement in home energy efficiency. For every additional 5 percent improvement, the homeowner is eligible for an extra \$500, up to \$5,000.

The legislation specifically recognizes Residential Energy Services Network (RESNET) standards for certified Home Energy Raters to verify the credit, accredited software programs to model and calculate the energy savings and RESNET Energy Smart Contractors to install the improvements.

Currently, a residential energy-efficiency IRS tax credit that provides a 10 percent credit up to \$500 is scheduled to expire

at the end of this calendar year. While the current tax credit provides incentive for the purchase cost of windows, doors, insulation and boilers, the Cut Energy Bills at Home Act would, for the first time, provide tax credits for actual home energy use reduction.

The popular \$2,000 IRS credit for construction of an energy-efficient new home also sunsets at the end of this month.

The proposed tax credit could add some sparkle to an otherwise dreary construction industry 2012 outlook. The performance based approach to improved energy efficiency detailed in the legislation would provide utility use reduction strategies customized for individual home configurations.

Utility savings to homeowners resulting from implemented measures have the potential to far exceed the short-term tax credit benefits offered. Ideally, the Cut Energy Bills at Home Credit could kick-start the process for homeowners to consider efficiency upgrades and get contractors and suppliers working on existing homes.

In summary, the Cut Energy Bills at Home Act:

- Provides a performance-based tax credit for residential whole home energy consumption. The value of the credit begins at \$2,000 for a 20 percent reduction in the energy consumption of a residential home for heating, cooling, water heating, insulation, weatherization and permanent lighting. The credit increases by \$500 for every additional 5 percentage point increase in energy savings, up to \$5,000. The credit is capped at 30 percent of the cost of the improvements and expires at the end of 2014.
- Defines how to calculate energy savings using computer modeling calibrated to actual energy bills before the improvements.
- Sets requirements for the contractor, installation process, and the modeling software to ensure work quality.
- Requires the Secretary of Treasury in consultation with the Secretary of Energy develop taxpayer documentation regulations for what the taxpayer needs to keep on file for documentation purposes.

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