

# Fuel Your Savings

By Reg P. Wydeven  
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Two weeks ago I was sitting in our basement watching 'Boston Legal' while working on an article. Shortly after midnight, I heard a horrific screeching sound. I turned the TV off, thinking it was on the fritz. When the noise continued, I ran upstairs to see if it was the smoke alarm. After realizing it wasn't, I went back downstairs and investigated our furnace room.

Sure enough, the shrilling sound was coming from our carbon monoxide detector. I calmly walked upstairs and woke up my wife, and we then grabbed our kids and walked over to my parents' house for a sleepover.

I called WE Energies who hurried over to check things out. It turns out our 27-year-old furnace was full of soot and spewing out carbon monoxide. The first thing the next morning, I talked to my high school friend, Todd, who owns a heating and air conditioning business. Within an hour, a crew was over yanking out our old furnace and putting in a brand new one.

We knew we were going to have to buy a new furnace eventually, but timing is everything. Todd let us know that thanks to the American Recovery and Reinvestment Act of 2009, we'll get a tax credit for purchasing our new furnace.

As part of President Obama's stimulus bill, Americans receive tax credits for energy efficient home improvements. Taxpayers can take a credit of up to 30% of the cost of the improvement to an existing home (not to exceed \$1,500) for 2009 and 2010. The credits are available for windows and doors, insulation, roofs (metal and asphalt), furnaces, air conditioners, water heaters (non-solar), and biomass stoves.

In addition, tax credits of up to 30% of the cost of the improvement to an existing home or new construction (with no upper limit) are available through 2016, for even "greener" energy efficient improvements. These more environmentally friendly improvements include geothermal heat pumps, photovoltaics, solar panels, solar water heaters, small wind energy systems and fuel cells.

To qualify for the tax credit, the energy efficient improvement must be "placed in service" from January 1, 2009, through December 31, 2010, by the homeowner. Also, the home must be the taxpayer's principal residence. Finally, the improvement must have a Manufacturer Certification Statement to qualify. Taxpayers are encouraged to save this Statement and any receipts.

At the end of this year or early next year the IRS will make available new Tax Form 5695, which will be filed with your tax return to receive the tax credit.

Not only do taxpayers get a credit for energy efficient home improvements, but also for fuel-efficient cars. Starting January 1, 2009, tax credits from \$2,500 to \$7,500 are available for plug-in hybrid electric vehicles. The first 250,000 vehicles sold get the full tax credit, and the credits phase out after that.

Tax credits are also available for hybrid gasoline-electric, diesel, battery-electric, alternative fuel, and fuel cell vehicles. The credit is based on a formula determined by vehicle weight, technology, and fuel economy as compared to base year models.

So not only do I have a toasty and greener home, I get a tax break on top of it. I'm thankful for my friend Todd, but I'm also grateful for our carbon monoxide detector. If your home doesn't have one, please do me a favor and buy one – they're lifesavers.

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