

ENERGY MATTERS

Facts & Tips from the U.S. Department of Energy

Getting A Tax Credit For Doing The Right Thing

(NAPSA)—Making energy-efficient home improvements and purchasing fuel-efficient hybrid electric vehicles is no longer just an environmentally friendly move—making these purchases could save you money at tax time.

That's because the Energy Policy Act of 2005 will offer consumers federal tax credits for making energy-efficient purchases.

Using energy-efficient appliances and installing better windows and insulation can provide many benefits. In addition to lower energy bills, individual energy-saving action can increase comfort in the home and reduce air pollution.

By driving or buying or leasing a new hybrid gas-electric automobile fuel-efficient vehicle you can get an income tax credit of \$250-\$3,400 plus better mileage—meaning lower gasoline prices—and fewer emissions.

What Are Tax Credits?

One of the best benefits this year is the new tax credit offered by the Energy Policy Act. Qualifying products and vehicles can mean having to pay less at tax time.

Eligible homeowners don't get an instant return on what they buy, like a rebate or a discount. Instead, they itemize the purchase on their federal income tax form and that affects the total amount of tax they're supposed to pay. This credit increases a person's rebate or lowers the amount he or she owes.

A tax credit is not like a tax deduction. It's generally more valuable since it reduces tax dollar for dollar, while a deduction only removes a percentage of the tax that is owed.

Home mortgages, charitable giving and home office expenses



Energy-smart home improvements could earn you a tax credit.

reduce taxable income only by a percentage of what's taken in tax; a tax credit, on the other hand, reduces taxable income directly, not as a percentage.

Energy-Efficiency Improvement Tax Credit: The Breakdown

According to the Department of Energy, you can, for example, get a one-time tax credit of up to \$500 total for installing efficient new windows, insulation, doors, roofs, and heating and cooling equipment in your home. Building materials must meet ENERGY STAR® requirements and must be placed in service from Jan. 1, 2006 to Dec. 31, 2007.

New Tax Credits for Solar Energy Technologies

There are also tax credits for solar energy technologies and for fuel cells. Some consumers may also be eligible for state rebates. For more information on exactly how you may be able to take advantage of this tax credit, consult with a tax professional or contact the Internal Revenue Service at www.irs.gov. The Department of Energy cannot offer individual advice on taxes.

To learn more about energy-related tax credits, visit www.doe.gov.