

Energy Tax Credits – Act Soon

If you make enough money to pay taxes and own a home you could take up to 10% of the cost of certain energy saving improvements (up to \$500) and 30% of the cost of certain energy producing systems (no upper limit) straight off your 2011 federal income tax bill.

While preparing your taxes this year you may have seen Line 52 on your Form 1040: “Residential energy tax credits. Attach Form 5695”

There are two kinds of qualifying energy improvement tax credits on Form 5695, the first one is the “Nonbusiness Energy Property Credit” which will allow a 10% credit off your taxes (up to a lifetime total of \$500) for the cost of qualifying insulation, windows, doors, roofs, heating, cooling systems and water heaters. This means if you spent up to \$5,000 on any of these improvements you could save \$500 straight off your tax payment. This credit ends this year and if you’ve claimed it in the past you can’t claim it in 2011.

The second qualifying energy improvement credit on Form 5695 is the “Residential Energy Efficient Property Credit” which allows a credit of 30% of the cost of a qualifying solar electric system, solar water heater, small wind energy generator or geothermal heat pump – with no upper dollar limit. That’s 30% of the cost of one of these systems straight off your federal tax payment. This can also be combined with the up to \$500 for insulation or a new roof on which to install your new solar system. This credit applies to principle residences and second homes, rental property does not qualify and it expires December 31, 2016.

A solar photovoltaic (PV) system can increase the value of your home by approximately \$17,000 according to a study by the Lawrence Berkeley National Laboratory in “An Analysis of the Effects of Residential Photovoltaic Energy Systems on Home Sales Prices in California” published April 2011.

According to Bob Smith of SolarCraft, “You should consider installing a solar electric system if the electric portion of your PG&E bill is \$150 or more per month.”

There are two components to your PG&E bill: gas and electric usage. Electricity is billed in blocks called ‘tiers’ according to the amount of electricity you use. As your monthly usage increases you move up into higher priced tiers. The goal of a well designed solar system for most people is to off-set the electricity used in tiers 3, 4 & 5. “It’s all about ‘shaving tiers’” says Smith. “It doesn’t always make financial sense to install a system that completely eliminates your PG&E bill because of the low cost of electricity in tiers 1 and 2.” In addition to your current PG&E usage, you should also let the solar consultant know if you are considering an electric car purchase in the next five years.

In addition to these federal tax credits PG&E is still providing rebates on many energy saving appliances, furnaces, water heaters, air conditioners, washer & dryers, including a \$0.35/watt rebate for solar panels.

Why not make 2011 the year you go green!

Always consult your accountant before making any financial investment.

For more information: http://www.energystar.gov/index.cfm?c=tax_credits.tx_index

<http://www.pge.com/myhome/saveenergymoney/rebates/>

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