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Claim your Energy Tax Credits Now

If you have made energy saving improvements to your home, you are likely eligible to claim your Energy Tax credit but you have to do so now before time runs out. And if you have been contemplating making such improvements, you need to do so before the deadline to claim the credit, which is December 31, 2011.

There are two home energy credits you can be eligible for. Firstly, if you have installed energy efficient products in your principal home you may qualify to claim the Non-business Energy Property Credit. This credit amounts to 10% of the cost of qualified energy efficiency products such as insulation, furnaces and exterior windows, doors and certain roofs that improve energy efficiency. But the cost of labor in their installation is not counted. Although this credit is not as much as in previous years, it can still represent a significant savings in your taxes.

The credit can also be claimed for the cost of residential energy properties, including cost of labor for installation. Residential energy properties include certain high-efficiency heating and air conditioning systems, water heaters and stoves that burn biomass fuel. The Non-business Energy Property Credit has a lifetime limit of \$500, out of which the amount claimed for windows is limited to \$200. So if you have claimed for more than \$500 in Non-business Energy Property Credit from 2005 up to this year, then you no longer qualify to claim any more, sorry.

To qualify for the Non-business Energy Property Credit, your home energy improvements must be installed and put into effect in your principal home by December 31.

The second credit you may qualify to claim is called the Residential Energy Efficient Property Credit, which is aimed at encouraging homeowners to install alternative energy equipment such as solar panels, solar hot water systems, wind turbines, geothermal heat pumps and fuel cell properties. But not all such equipment qualifies for a credit, so you should do your due diligence by checking the manufacturer's tax credit certification statement before making a purchase of any equipment. This certification statement can usually be found on the manufacturer's Web site or with the product packaging itself.

The Residential Energy Efficient Property Credit gives a more generous tax saving in that it comes up to 30% of the amount you spend on the qualifying alternative energy equipment and there is no limit to the claimable amount for all equipment with the exception of fuel cell properties.

Both these credits are not deductions, meaning they reduce your taxes dollar for dollar, not just reduce your taxable income. If you wish to claim for either or both these credits, you need to fill up Form 5695 Residential Energy Credits together with your 2011 tax returns.