

out as a note under section 23 of this title. Title IX of Pub. L. 107-16 was repealed by Pub. L. 112-240, title I, §101(a)(1), Jan. 2, 2013, 126 Stat. 2315.

Amendment by Pub. L. 109-135 effective as if included in the provisions of the Energy Policy Act of 2005, Pub. L. 109-58, to which it relates and applicable to taxable years beginning after Dec. 31, 2005, see section 402(m) of Pub. L. 109-135, set out as a note under section 23 of this title.

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-311 applicable to taxable years beginning after Dec. 31, 2004, see section 208 of Pub. L. 108-311, set out as a note under section 2 of this title.

EFFECTIVE DATE OF 2002 AMENDMENT

Pub. L. 107-147, title IV, §411(x), Mar. 9, 2002, 116 Stat. 53, provided that: “Except as provided in subsection (c) [amending sections 23 and 137 of this title and enacting provisions set out as a note under section 23 of this title], the amendments made by this section [amending this section, sections 23, 24, 38, 45E, 45F, 63, 137, 401 to 404, 408, 409, 412, 414 to 417, 457, 530, 2016, 2101, 2511, 4980F, and 6428 of this title, sections 1003, 1054, 1055, 1082, and 1104 of Title 29, Labor, and provisions set out as notes under sections 38, 415, and 4980F of this title] shall take effect as if included in the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 [Pub. L. 107-16] to which they relate.”

EFFECTIVE DATE

Amendment by section 618(b)(1) of Pub. L. 107-16 inapplicable to taxable years beginning during 2004 or 2005, see section 312(b)(2) of Pub. L. 108-311, set out as an Effective Date of 2001 Amendment note under section 23 of this title.

Amendment by section 618(b)(1) of Pub. L. 107-16 inapplicable to taxable years beginning during 2002 and 2003, see section 601(b)(2) of Pub. L. 107-147, set out as an Effective Date of 2001 Amendment note under section 23 of this title.

Amendment by section 618(b)(1) of Pub. L. 107-16 applicable to taxable years beginning after Dec. 31, 2001, see section 618(d) of Pub. L. 107-16, set out as an Effective Date of 2001 Amendment note under section 24 of this title.

§ 25C. Nonbusiness energy property

(a) Allowance of credit

In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

- (1) 10 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year, and
- (2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year.

(b) Limitations

(1) Lifetime limitation

The credit allowed under this section with respect to any taxpayer for any taxable year shall not exceed the excess (if any) of \$500 over the aggregate credits allowed under this section with respect to such taxpayer for all prior taxable years ending after December 31, 2005.

(2) Windows

In the case of amounts paid or incurred for components described in subsection (c)(2)(B) by any taxpayer for any taxable year, the

credit allowed under this section with respect to such amounts for such year shall not exceed the excess (if any) of \$200 over the aggregate credits allowed under this section with respect to such amounts for all prior taxable years ending after December 31, 2005.

(3) Limitation on residential energy property expenditures

The amount of the credit allowed under this section by reason of subsection (a)(2) shall not exceed—

- (A) \$50 for any advanced main air circulating fan,
- (B) \$150 for any qualified natural gas, propane, or oil furnace or hot water boiler, and
- (C) \$300 for any item of energy-efficient building property.

(c) Qualified energy efficiency improvements

For purposes of this section—

(1) In general

The term “qualified energy efficiency improvements” means any energy efficient building envelope component which meets the prescriptive criteria for such component established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009 (or, in the case of an exterior window, a skylight, an exterior door, a metal roof with appropriate pigmented coatings, or an asphalt roof with appropriate cooling granules, which meet the Energy Star program requirements), if—

- (A) such component is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer’s principal residence (within the meaning of section 121),
- (B) the original use of such component commences with the taxpayer, and
- (C) such component reasonably can be expected to remain in use for at least 5 years.

(2) Building envelope component

The term “building envelope component” means—

- (A) any insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on such dwelling unit,
- (B) exterior windows (including skylights),
- (C) exterior doors, and
- (D) any metal roof or asphalt roof installed on a dwelling unit, but only if such roof has appropriate pigmented coatings or cooling granules which are specifically and primarily designed to reduce the heat gain of such dwelling unit.

(3) Manufactured homes included

The term “dwelling unit” includes a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (part 3280 of title 24, Code of Federal Regulations).

(d) Residential energy property expenditures

For purposes of this section—

(1) In general

The term “residential energy property expenditures” means expenditures made by the taxpayer for qualified energy property which is—

(A) installed on or in connection with a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer’s principal residence (within the meaning of section 121), and

(B) originally placed in service by the taxpayer.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

(2) Qualified energy property**(A) In general**

The term “qualified energy property” means—

- (i) energy-efficient building property,
- (ii) a qualified natural gas, propane, or oil furnace or hot water boiler, or
- (iii) an advanced main air circulating fan.

(B) Performance and quality standards

Property described under subparagraph (A) shall meet the performance and quality standards, and the certification requirements (if any), which—

- (i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy or the Administrator of the Environmental Protection Agency, as appropriate), and
- (ii) are in effect at the time of the acquisition of the property, or at the time of the completion of the construction, reconstruction, or erection of the property, as the case may be.

(C) Requirements and standards for air conditioners and heat pumps

The standards and requirements prescribed by the Secretary under subparagraph (B) with respect to the energy efficiency ratio (EER) for central air conditioners and electric heat pumps—

- (i) shall require measurements to be based on published data which is tested by manufacturers at 95 degrees Fahrenheit, and
- (ii) may be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency.

(3) Energy-efficient building property

The term “energy-efficient building property” means—

(A) an electric heat pump water heater which yields an energy factor of at least 2.0 in the standard Department of Energy test procedure,

(B) an electric heat pump which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009.¹

(C) a central air conditioner which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009,

(D) a natural gas, propane, or oil water heater which has either an energy factor of at least 0.82 or a thermal efficiency of at least 90 percent.²

(E) a stove which uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and which has a thermal efficiency rating of at least 75 percent.

(4) Qualified natural gas, propane, or oil furnace or hot water boiler

The term “qualified natural gas, propane, or oil furnace or hot water boiler” means a natural gas, propane, or oil furnace or hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 95.

(5) Advanced main air circulating fan

The term “advanced main air circulating fan” means a fan used in a natural gas, propane, or oil furnace and which has an annual electricity use of no more than 2 percent of the total annual energy use of the furnace (as determined in the standard Department of Energy test procedures).

(6) Biomass fuel

The term “biomass fuel” means any plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (including wood pellets), plants (including aquatic plants), grasses, residues, and fibers.

(e) Special rules

For purposes of this section—

(1) Application of rules

Rules similar to the rules under paragraphs (4), (5), (6), (7), and (8) of section 25D(e) shall apply.

(2) Joint ownership of energy items**(A) In general**

Any expenditure otherwise qualifying as an expenditure under this section shall not be treated as failing to so qualify merely because such expenditure was made with respect to two or more dwelling units.

(B) Limits applied separately

In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

(3) Property financed by subsidized energy financing

For purposes of determining the amount of expenditures made by any individual with respect to any property, there shall not be taken into account expenditures which are made from subsidized energy financing (as defined in section 48(a)(4)(C)).

¹ So in original. The period probably should be a comma.

² So in original. The period probably should be “, and”.

(f) Basis adjustments

For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

(g) Termination

This section shall not apply with respect to any property placed in service—

- (1) after December 31, 2007, and before January 1, 2009, or
- (2) after December 31, 2013.³

(Added Pub. L. 109–58, title XIII, §1333(a), Aug. 8, 2005, 119 Stat. 1026; amended Pub. L. 109–135, title IV, §412(b), Dec. 21, 2005, 119 Stat. 2636; Pub. L. 110–172, §11(a)(2), Dec. 29, 2007, 121 Stat. 2484; Pub. L. 110–343, div. B, title III, §302(a)–(e), Oct. 3, 2008, 122 Stat. 3844, 3845; Pub. L. 111–5, div. B, title I, §§1103(b)(2)(A), 1121(a)–(e), Feb. 17, 2009, 123 Stat. 320, 322–324; Pub. L. 111–312, title VII, §710(a), (b), Dec. 17, 2010, 124 Stat. 3314; Pub. L. 112–240, title IV, §401(a), Jan. 2, 2013, 126 Stat. 2337.)

REFERENCES IN TEXT

The date of the enactment of the American Recovery and Reinvestment Tax Act of 2009, referred to in subsec. (c)(1), is the date of the enactment of div. B of Pub. L. 111–5, which was approved Feb. 17, 2009.

AMENDMENTS

2013—Subsec. (g)(2). Pub. L. 112–240 substituted “December 31, 2013” for “December 31, 2011”.

2010—Subsecs. (a), (b). Pub. L. 111–312, §710(b)(1), amended subsecs. (a) and (b) generally. Prior to amendment, subsecs. (a) and (b) read as follows:

“(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the sum of—

“(1) the amount paid or incurred by the taxpayer during such taxable year for qualified energy efficiency improvements, and

“(2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year.

“(b) LIMITATION.—The aggregate amount of the credits allowed under this section for taxable years beginning in 2009 and 2010 with respect to any taxpayer shall not exceed \$1,500.”

Subsec. (c)(1). Pub. L. 111–312, §710(b)(2)(D)(ii), inserted “an exterior window, a skylight, an exterior door,” after “in the case of” in introductory provisions.

Pub. L. 111–312, §710(b)(2)(A), in introductory provisions, substituted “2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009” for “2000 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of this section”.

Subsec. (c)(2)(A). Pub. L. 111–312, §710(b)(2)(E), struck out “and meets the prescriptive criteria for such material or system established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009” after “on such dwelling unit”.

Subsec. (c)(4). Pub. L. 111–312, §710(b)(2)(D)(i), struck out par. (4). Text read as follows: “Such term shall not

include any component described in subparagraph (B) or (C) of paragraph (2) unless such component is equal to or below a U factor of 0.30 and SHGC of 0.30.”

Subsec. (d)(2)(A)(ii). Pub. L. 111–312, §710(b)(2)(C)(ii), amended cl. (ii) generally. Prior to amendment, cl. (ii) read as follows: “any qualified natural gas furnace, qualified propane furnace, qualified oil furnace, qualified natural gas hot water boiler, qualified propane hot water boiler, or qualified oil hot water boiler, or”.

Subsec. (d)(3)(E). Pub. L. 111–312, §710(b)(2)(B), struck out “, as measured using a lower heating value” after “75 percent”.

Subsec. (d)(4). Pub. L. 111–312, §710(b)(2)(C)(i), amended par. (4) generally. Prior to amendment, par. (4) defined the terms “qualified natural gas furnace”, “qualified natural gas hot water boiler”, “qualified propane furnace”, “qualified propane hot water boiler”, “qualified oil furnace”, and “qualified oil hot water boiler”.

Subsec. (e)(3). Pub. L. 111–312, §710(b)(3), added par. (3).

Subsec. (g)(2). Pub. L. 111–312, §710(a), substituted “2011” for “2010”.

2009—Subsecs. (a), (b). Pub. L. 111–5, §1121(a), added subsecs. (a) and (b) and struck out former subsecs. (a) and (b) which related to credit equal to the sum of 10 percent of the amount paid for qualified energy efficiency improvements and the amount of energy property expenditures and provided limits on credits and expenditures.

Subsec. (c)(2)(A). Pub. L. 111–5, §1121(d)(2), inserted “and meets the prescriptive criteria for such material or system established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009” after “such dwelling unit”.

Subsec. (c)(4). Pub. L. 111–5, §1121(d)(1), added par. (4).

Subsec. (d)(2)(A)(ii). Pub. L. 111–5, §1121(c)(2), amended cl. (ii) generally. Prior to amendment, cl. (ii) read as follows: “a qualified natural gas, propane, or oil furnace or hot water boiler, or”.

Subsec. (d)(3)(B). Pub. L. 111–5, §1121(b)(1), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “an electric heat pump which has a heating seasonal performance factor (HSPF) of at least 9, a seasonal energy efficiency ratio (SEER) of at least 15, and an energy efficiency ratio (EER) of at least 13.”

Subsec. (d)(3)(C). Pub. L. 111–5, §1121(b)(2), substituted “2009” for “2006”.

Subsec. (d)(3)(D). Pub. L. 111–5, §1121(b)(3), amended subpar. (D) generally. Prior to amendment, subpar. (D) read as follows: “a natural gas, propane, or oil water heater which has an energy factor of at least 0.80 or a thermal efficiency of at least 90 percent, and”.

Subsec. (d)(3)(E). Pub. L. 111–5, §1121(b)(4), inserted “, as measured using a lower heating value” after “75 percent”.

Subsec. (d)(4). Pub. L. 111–5, §1121(c)(1), amended par. (4) generally. Prior to amendment, text read as follows: “The term ‘qualified natural gas, propane, or oil furnace or hot water boiler’ means a natural gas, propane, or oil furnace or hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 95.”

Subsec. (e)(1). Pub. L. 111–5, §1103(b)(2)(A), substituted “and (8)” for “(8), and (9)”.

Subsec. (g)(2). Pub. L. 111–5, §1121(e), substituted “December 31, 2010” for “December 31, 2009”.

2008—Subsec. (c)(1). Pub. L. 110–343, §302(e)(1), in introductory provisions, inserted “, or an asphalt roof with appropriate cooling granules,” before “which meet the Energy Star program requirements”.

Subsec. (c)(2)(D). Pub. L. 110–343, §302(e)(2), inserted “or asphalt roof” after “metal roof” and “or cooling granules” after “pigmented coatings”.

Subsec. (d)(2)(C). Pub. L. 110–343, §302(d)(2), amended heading and text of subpar. (C) generally. Prior to amendment, subpar. (C) related to requirements for standards for central air conditioners, electric heat pumps, and geothermal heat pumps.

Subsec. (d)(3)(C), (D). Pub. L. 110–343, §302(d)(1), redesignated subpars. (D) and (E) as (C) and (D), respec-

³ So in original.

tively, and struck out former subpar. (C) which read as follows: “a geothermal heat pump which—

“(i) in the case of a closed loop product, has an energy efficiency ratio (EER) of at least 14.1 and a heating coefficient of performance (COP) of at least 3.3,

“(ii) in the case of an open loop product, has an energy efficiency ratio (EER) of at least 16.2 and a heating coefficient of performance (COP) of at least 3.6, and

“(iii) in the case of a direct expansion (DX) product, has an energy efficiency ratio (EER) of at least 15 and a heating coefficient of performance (COP) of at least 3.5.”

Subsec. (d)(3)(E). Pub. L. 110-343, §302(d)(1), redesignated subpar. (F) as (E). Former subpar. (E) redesignated (D).

Pub. L. 110-343, §302(c), inserted “or a thermal efficiency of at least 90 percent” after “.80”.

Subsec. (d)(3)(F). Pub. L. 110-343, §302(d)(1), redesignated subpar. (F) as (E).

Pub. L. 110-343, §302(b)(1), added subpar. (F).

Subsec. (d)(6). Pub. L. 110-343, §302(b)(2), added par. (6).

Subsec. (g). Pub. L. 110-343, §302(a), substituted “placed in service—” for “placed in service after December 31, 2007” and added pars. (1) and (2).

2007—Subsec. (c)(3). Pub. L. 110-172 substituted “part 3280” for “section 3280”.

2005—Subsec. (b)(2). Pub. L. 109-135 substituted “subsection (c)(2)(B)” for “subsection (c)(3)(B)”.

EFFECTIVE DATE OF 2013 AMENDMENT

Pub. L. 112-240, title IV, §401(b), Jan. 2, 2013, 126 Stat. 2337, provided that: “The amendment made by this section [amending this section] shall apply to property placed in service after December 31, 2011.”

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-312, title VII, §710(c), Dec. 17, 2010, 124 Stat. 3315, provided that: “The amendments made by this section [amending this section] shall apply to property placed in service after December 31, 2010.”

EFFECTIVE DATE OF 2009 AMENDMENT

Pub. L. 111-5, div. B, title I, §1103(c), Feb. 17, 2009, 123 Stat. 321, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section [amending this section and sections 25D and 48 to 48B of this title] shall apply to periods after December 31, 2008, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990 [Nov. 5, 1990]).

“(2) CONFORMING AMENDMENTS.—The amendments made by subparagraphs (A) and (B) of subsection (b)(2) [amending this section and section 25D of this title] shall apply to taxable years beginning after December 31, 2008.”

Pub. L. 111-5, div. B, title I, §1121(f), Feb. 17, 2009, 123 Stat. 324, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 2008.

“(2) EFFICIENCY STANDARDS.—The amendments made by paragraphs (1), (2), and (3) of subsection (b) and subsections (c) and (d) shall apply to property placed in service after the date of the enactment of this Act [Feb. 17, 2009].”

EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-343, div. B, title III, §302(f), Oct. 3, 2008, 122 Stat. 3845, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made [by] this section [amending this section] shall apply to expenditures made after December 31, 2008.

“(2) MODIFICATION OF QUALIFIED ENERGY EFFICIENCY IMPROVEMENTS.—The amendments made by subsection

(e) [amending this section] shall apply to property placed in service after the date of the enactment of this Act [Oct. 3, 2008].”

EFFECTIVE DATE

Pub. L. 109-58, title XIII, §1333(c), Aug. 8, 2005, 119 Stat. 1030, provided that: “The amendments made by this section [enacting this section and amending section 1016 of this title] shall apply to property placed in service after December 31, 2005.”

§ 25D. Residential energy efficient property

(a) Allowance of credit

In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

(1) 30 percent of the qualified solar electric property expenditures made by the taxpayer during such year,

(2) 30 percent of the qualified solar water heating property expenditures made by the taxpayer during such year,

(3) 30 percent of the qualified fuel cell property expenditures made by the taxpayer during such year,

(4) 30 percent of the qualified small wind energy property expenditures made by the taxpayer during such year, and

(5) 30 percent of the qualified geothermal heat pump property expenditures made by the taxpayer during such year.

(b) Limitations

(1) Maximum credit for fuel cells

In the case of any qualified fuel cell property expenditure, the credit allowed under subsection (a) (determined without regard to subsection (c)) for any taxable year shall not exceed \$500 with respect to each half kilowatt of capacity of the qualified fuel cell property (as defined in section 48(c)(1)) to which such expenditure relates.

(2) Certification of solar water heating property

No credit shall be allowed under this section for an item of property described in subsection (d)(1) unless such property is certified for performance by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed.

(c) Carryforward of unused credit

If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

(d) Definitions

For purposes of this section—

(1) Qualified solar water heating property expenditure

The term “qualified solar water heating property expenditure” means an expenditure for property to heat water for use in a dwelling unit located in the United States and used