

Internal Revenue Code
Subtitle A — INCOME TAXES (Sections 1 to 1564)
Chapter 1 — Normal taxes and surtaxes (Sections 1 to 1400U-3)
Subchapter A — Determination of tax liability (Sections 1 to 59B)
Part IV — Credits Against Tax (Sections 21 to 54AA)
Subpart A — Nonrefundable Personal Credits (Sections 21 to 26)

Sec. 25C. Nonbusiness Energy Property

25C(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—

25C(a)(1)

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

25C(a)(2)

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

25C(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.

25C(c) Qualified Energy Efficiency Improvements

For purposes of this section—

25C(c)(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 2000 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of this section (or, in the case of a metal roof with appropriate pigmented coatings, or an asphalt roof with appropriate cooling granules, which meet the Energy Star program requirements), if—

25C(c)(1)(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),

25C(c)(1)(B)

the original use of such component commences with the taxpayer, and

25C(c)(1)(C)

such component reasonably can be expected to remain in use for at least 5 years.

25C(c)(2) Building Envelope Component

The term "building envelope component" means—

25C(c)(2)(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 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,

25C(c)(2)(B)

exterior windows (including skylights),

25C(c)(2)(C)

exterior doors, and

25C(c)(2)(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.

25C(c)(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).

25C(c)(4) Qualifications For Exterior Windows, Doors, And Skylights

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.

25C(d) Residential Energy Property Expenditures

For purposes of this section—

25C(d)(1) In General

The term "residential energy property expenditures" means expenditures made by the taxpayer for qualified energy property which is--

25C(d)(1)(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

25C(d)(1)(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.

25C(d)(2) Qualified Energy Property

25C(d)(2)(A) In General

The term "qualified energy property" means—

25C(d)(2)(A)(i)

energy-efficient building property,

25C(d)(2)(A)(ii)

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

25C(d)(2)(A)(iii)

an advanced main air circulating fan.

25C(d)(2)(B) Performance And Quality Standards

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

25C(d)(2)(B)(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

25C(d)(2)(B)(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.

25C(d)(2)(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—

25C(d)(2)(C)(i)

shall require measurements to be based on published data which is tested by manufacturers at 95 degrees Fahrenheit, and

25C(d)(2)(C)(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.

25C(d)(3) Energy-Efficient Building Property

The term “energy-efficient building property” means—

25C(d)(3)(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,

25C(d)(3)(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,

25C(d)(3)(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,

25C(d)(3)(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.

25C(d)(3)(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, as measured using a lower heating value.

25C(d)(4) Qualified Natural Gas, Propane, And Oil Furnaces And Hot Water Boilers**25C(d)(4)(A) Qualified Natural Gas Furnace**

The term “qualified natural gas furnace” means any natural gas furnace which achieves an annual fuel utilization efficiency rate of not less than 95.

25C(d)(4)(B) Qualified Natural Gas Hot Water Boiler

The term “qualified natural gas hot water boiler” means any natural gas hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 90.

25C(d)(4)(C) Qualified Propane Furnace

The term “qualified propane furnace” means any propane furnace which achieves an annual fuel utilization efficiency rate of not less than 95.

25C(d)(4)(D) Qualified Propane Hot Water Boiler

The term “qualified propane hot water boiler” means any propane hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 90.

25C(d)(4)(E) Qualified Oil Furnaces

The term “qualified oil furnace” means any oil furnace which achieves an annual fuel utilization efficiency rate of not less than 90.

25C(d)(4)(F) Qualified Oil Hot Water Boiler

The term “qualified oil hot water boiler” means any oil hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 90.

25C(d)(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).

25C(d)(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.

25C(e) Special Rules

For purposes of this section—

25C(e)(1) Application Of Rules

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

25C(e)(2) Joint Ownership Of Energy Items**25C(e)(2)(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 2 or more dwelling units.

25C(e)(2)(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.

25C(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.

25C(g) Termination

Editor's Note: Pub. L. 110-343, Div. B, Sec. 302(a), amended Sec. 25C(g) by inserting the language "placed in service—"and all that follows" for "placed in service after December 31, 2007", effective for taxable years beginning after December 31, 2008.

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

25C(g)(1)

after December 31, 2007, and before January 1, 2009, or

25C(g)(2)

after December 31, 2010.

(Added by Pub. L. 109-58, title XIII, Sec. 1333(a), Aug. 8, 2005, 119 Stat. 594; and amended by Pub. L.

109-135, title IV, Sec. 412(b), Dec. 21, 2005, 119 Stat. 2577; Pub. L. 110-172, Sec. 11(a)(2), Dec. 29, 2007, 121 Stat. 2473; Pub. L. 110-343, div. B, title III, Sec. 302, Oct. 3, 2008, 122 Stat. 3765; Pub. L. 111-5, div. B, title I, Sec. 1103(b)(2)(A), 1121, Feb. 17, 2009, 123 Stat. 115.)

BACKGROUND NOTES AMENDMENTS

2009 — Subsec. (a). Pub. L. 111-5, Div. B, Sec. 1121(a), struck and inserted a new subsec. (a). Before being struck, it 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 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."

Subsec. (b). Pub. L. 111-5, Div. B, Sec. 1121(a), struck and inserted a new subsection (b). Before being struck, it read as follows:

"(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.

"(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.

"(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."

Subsec. (c)(2)(A). Pub. L. 111-5, Div. B, Sec. 1121(d)(2), amended subpar. (A) by inserting "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, Div. B, Sec. 1121(d)(1), added par. (4).

Subsec. (d)(2)(A)(ii). Pub. L. 111-5, Div. B, Sec. 1121(c)(2), amended clause (ii). Before amendment, it read as follows:

“(ii) a qualified natural gas, propane, or oil furnace or hot water boiler, or”.

Subsec. (d)(3)(B). Pub. L. 111-5, Div. B, Sec. 1121(b)(1), amended subpar. (B). Before amendment, it read as follows:

“(B) 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, Div. B, Sec. 1121(b)(2), amended subpar. (C) by substituting “2009” for “2006”.

Subsec. (d)(3)(D). Pub. L. 111-5, Div. B, Sec. 1121(b)(3), amended subpar. (D). Before amendment, it read as follows:

“(D) 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, Div. B, Sec. 1121(b)(4), amended subpar. (E) by inserting “, as measured using a lower heating value” after “75 percent”.

Subsec. (d)(4). Pub. L. 111-5, Div. B, Sec. 1121(c)(1), amended par. (4). Before amendment, it read as follows:

“(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.”

Subsec. (e)(1). Pub. L. 111-5, Div. B, Sec. 1103(b)(2)(A), amended par. (1) by substituting “and (8)” for “(8), and (9)”.

Subsec. (g)(2). Pub. L. 111-5, Div. B, Sec. 1121(e), amended par. (2) by substituting “December 31, 2010” for “December 31, 2009”.

“2008 - Subsec. (c)(1). Pub. L. 110-343, Div. B, Sec. 302(e)(1), amended par. (1) by inserting “, or an asphalt roof with appropriate cooling granules,” before “which meet the Energy Star program requirements”.

Subsec. (c)(2)(D). Pub. L. 110-343, Div. B, Sec. 302(e)(2), amended subpar. (D) by inserting “or asphalt roof” after “metal roof” and “or cooling granules” after “pigmented coatings”.

Subsec. (d)(2)(C). Pub. L. 110-343, Div. B, Sec. 302(d)(2), amended subpar. (C). Before amendment, it read as follows:

“(C) Requirements For Standards.—The standards and requirements prescribed by the Secretary under

subparagraph(B)--

“(i) in the case of 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, and

“(ii) in the case of geothermal heat pumps--

“(I) shall be based on testing under the conditions of ARI/ISO Standard 13256-1 for Water Source Heat Pumps or ARI 870 for Direct Expansion GeoExchange Heat Pumps (DX), as appropriate, and

“(II) shall include evidence that water heating services have been provided through a desuperheater or integrated water heating system connected to the storage water heater tank.”

Subsec. (d)(3)(E). Pub. L. 110-343, Div. B, Sec. 302(c), amended subpar. (E) by inserting “or a thermal efficiency of at least 90 percent” after “0.80”.

Subsec. (d)(3)(D)-(F). Pub. L. 110-343, Div. B, Sec. 302(b)(1), amended par. (3) by striking “and” at the end of subpar. (D), by inserting “, and” for the period at the end of subpar. (E), and by adding subpar. (F).

Subsec. (d)(3)(C)-(E). Pub. L. 110-343, Div. B, Sec. 302(d)(1), amended par. (3) by striking subpar. (C) and by redesignating subpar. (D)-(F) as subpar. (C)-(E), respectively. Before being struck, subpar. (C) read as follows:

“(C) 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)(6). Pub. L. 110-343, Div. B, Sec. 302(b)(2), amended subsec. (d) by adding par. (6).

Subsec. (g). Pub. L. 110-343, Div. B, Sec. 302(a), amended subsec. (g) by substituting “placed in service—(1)after December 31, 2007, and before January 1, 2009, or (2) after December 31, 2009.” For “placed in service after December 31, 2007”.

2007 - Subsec. (c)(3). Pub. L. 110-172, Sec. 11(a)(2), amended par. (3) by substituting “part 3280” for “section 3280”.

2005 - Subsec. (b)(2). Pub. L. 109-135, Sec. 412(b), amended par. (1) by substituting “subsection (c)(2)(B)” for “subsection(c)(3)(B)”.

Amendment by Pub. L. 111-5, Div. B, Sec. 1103(b)(2)(A), effective for taxable years beginning after December 31, 2008.

Amendments by Pub. L. 111-5, Div B, Sec. 1121(a),(b)(4), (e), effective for taxable years beginning after December 31, 2008.

Amendments by Pub. L. 111-5, Div B, Sec. 1121(b)(1)-(3), (c), (d), effective for property placed in service after the date of the enactment of this Act [Enacted: Feb. 17, 2009].

EFFECTIVE DATE OF 2008 AMENDMENTS

Amendments by Pub. L. 110-343, Div. B, Sec. 302(e), effective for property placed in service after the date of the enactment of this Act [Enacted: Oct. 3, 2008].

Amendments by Pub. L. 110-343, Div B, Sec. 302(a)-(d), effective for expenditures made after December 31, 2008.

EFFECTIVE DATE OF 2007 AMENDMENT

Amendment by Pub. L. 110-172, Sec. 11(a)(2), effective on the date of the enactment of this Act [Enacted: Dec. 29, 2007].

EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by Pub. L. 109-135, Sec. 412(b), effective on the date of the enactment of this Act [Enacted: Dec. 21, 2005].

EFFECTIVE DATE

Effective for property placed in service after December 31, 2005.