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## Making your home more efficient means more tax credits

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Greening your home could be more worthwhile as tax credits for energy-efficient home improvements have been expanded. Homeowners can get tax breaks for installing energy-efficient windows, doors, roofing, insulation, furnaces, air conditioners and heat pumps. The new credit rate is up to 30% from 10% of the cost of each product with a lifetime cap of \$1,500 from \$500. The smaller credits were increased because they weren't encouraging enough people to make the upgrades, according to the National Association of Home Builders.

The new tax credits could boost remodeling activity nationwide by more than \$6 billion, according to congressional estimates. Rick Stys, 46, of Sterling Heights, recently debated whether to fix his 16-year-old furnace or buy a new one. But, when he found out the repair of a crack in the heat exchanger could cost \$1,000, he opted to buy a new energy-efficient furnace to heat his 1,800-square-foot home.

The new furnace cost \$6,300. Stys and his wife, Kathy, 46, said it made more sense to buy the more-efficient furnace that is to cut down utility bills and qualifies for the stimulus tax credit.

"Since we plan on staying in our house, we may as well get the better furnace," he said.

Gary Marowske, president of Flame Heating Cooling and Electrical in Warren, said the tax credits are available for improvements with certain efficiency levels. For example, a furnace like the one his company installed at the Stys home has a 95% efficiency rating and qualifies for the tax credit.

While tax credits for most improvements would be capped at \$1,500, if you install geothermal heat pumps, that would qualify for a tax credit of 30% of the price, Marowske said.

Installing a geothermal system, which is placed underground and uses the constant temperature of the Earth to help heat a home, costs \$25,000 to \$35,000, he said.

While that may sound expensive, your natural gas bill goes away and the system can pay for itself eventually, he said.

"We are starting to get more and more inquiries on the geothermal systems," Marowske said. "The major manufacturers all have a line."

Marowske and other home improvement contractors haven't yet felt a big business bounce from the stimulus plan primarily because people don't seem to be aware of it.

Shlome BenEzra, vice president of Oak Park-based WeatherGard Windows, said that consumers looking to upgrade their windows have to be careful not to assume that any Energy Star window will qualify.

The \$200 limit on windows was eliminated and consumers can now take 30% or up to a \$1,500 tax credit. But they have to have certain ratings for what is known as the U-Factor and the solar heat gain

coefficient. Both numbers need to be 0.30 or lower, he said.

The U-Factor measures how well a product prevents heat from escaping a home or building. The solar heat-gain coefficient measures how well a window blocks heat from the sun.

BenEzra said that because the new rules set a stricter national standard instead of the previous regional ones that took into account different climates, many windows on the market now do not qualify for the tax credit.

"I had to upgrade to even fancier glass to get there," he said. "I did that a couple of months ago to improve the overall product. Conveniently, it qualifies."

BenEzra said some competitors already are advertising the tax credit to boost sales, but he advises consumers to get something in writing that the product they are buying really qualifies for the tax credit.

He said the average cost of a window, depending on size, that would meet the new requirements would sell for \$600, whereas the average window costs about \$300.

"I'm trying to educate my sales force on it. I think it's confusing the way the bill is written. People think it is just an update from the last energy credit, but it is different," BenEzra said.

While a lot of attention has focused on building new energy-efficient homes, retrofitting older homes has a bigger impact on greenhouse gas emissions, said Greg Miedema, chairman of the builders association's ' remodelers committee.

"The new tax credit also aligns with industry research indicating that even the most aggressive efficiency goals for new homes won't make a dent in overall energy consumption," Miedema said in a statement. "Instead, remodeling and retrofitting the nation's older homes is by far the more efficient solution."

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## Additional Facts

What qualifies for a credit

The American Recovery and Reinvestment Act of 2009 made some changes to energy-efficiency tax credits for home improvements. Improvements that qualify mean a tax credit in 2009 and 2010 for 30% of the cost, up to a combined \$1,500.

Products covered include

- Insulation
- Windows
- Skylights

- Doors
- Roofs
- Central air conditioners
- Air-source heat pumps
- Geothermal heat pumps
- Gas, oil or propane

furnaces or hot water boilers

- Advanced main air

circulating fans

- Biomass stoves

- Water

heaters

- Solar panels

- Fuel cells

- Windmills

For more

information on what's covered by the tax credit, go to [www.energystar.gov/taxcredits](http://www.energystar.gov/taxcredits).

