

## Summary of Energy and Efficiency Credits in H.R. 1

“American Recovery and Reinvestment Act of 2009”  
Expected to be signed into law February 17, 2009

On Tuesday, February 17, 2009, President Obama is expected to sign into law [H.R. 1, the American Recovery and Reinvestment Act of 2009](#), which is comprised of two primary parts. [Division A](#) is a series of appropriation provisions while [Division B](#) is primarily tax and other provisions and includes specific incentives for residential high-efficiency HVAC equipment. Both divisions may have implications for HVACR wholesale distributors so HARDI has prepared the following summary to serve as a quick reference guide to this massive bill. Please note, however, that HARDI offers only our interpretation of the legislation so members are strongly advised to have retained accounting or legal counsel review the legislative text and tax code amendments before taking any action.

### Division A- Appropriations

#### *Title III: Department of Defense*

Appropriates over \$3 billion to the U.S. Armed Forces to invest in the energy efficiency of Department of Defense facilities.

#### *Title IV: Department of Energy*

Appropriates nearly \$17 billion to the Energy Efficiency and Renewable Energy division of the Department of Energy for funding, among other things, Energy Efficiency and Conservation Block Grants and \$5 billion for the Weatherization Assistance Program.

- *Section 407:* Increases the qualifying level for weatherization assistance and nearly triples the funding per unit dwelling from \$2,500 to \$6,500.
- *Section 410:* Directs the Secretary of Energy to make additional state energy grants to fund utility energy efficiency incentive programs and to assist in the state adoption and implementation of residential building codes, 2009 IECC and commercial codes, ASHRAE 90.1-2007. The Secretary is also directed to use funds to assist with energy efficiency retrofits of state buildings.

#### *Title V: Financial Services and General Government Department of Treasury*

Appropriates nearly \$4.5 billion to convert GSA facilities to High Performance Green Buildings. This title also increases funding for Small Business Administration loans.

- *Section 501:* Reduces or temporarily eliminates fees associated with the 504 Loan Program and increases the SBA's lending limits.
- *Section 502:* Permits the SBA to guarantee up to 90% of qualifying small business loans made by eligible lenders for 12 months after the bill's enactment.

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- *Section 504:* Provides refinancing options for Community Development lending which would apply to financed purchases or expansions of land, buildings, or equipment.
- *Section 506:* Does not appropriate, but provides authority to the Administrator to appropriate, if possible, to provide loans to small businesses that already have a qualifying loan and are experience severe financial hardship.

*Title VII: Interior, Environment, and Related Agencies*

Appropriates approximately \$3 billion for the training of adult workers and youth, \$750 million of which is targeted specifically for careers in energy efficiency and renewable energies.

*Title VIII: Departments of Labor, Health and Human Services, and Education*

Appropriates nearly \$4.5 billion to convert GSA facilities to High Performance Green Buildings. This title also increases funding for Small Business Administration loans.

*Title XII: Transportation and Housing and Urban Development*

Appropriates \$250 million to Housing and Urban Development for energy retrofits and green improvements to assisted housing.

**Division B- Tax, Unemployment, Health, State Fiscal Relief and Other Provisions**

*Subtitle B, Energy Incentives, Part III:*

- *Section 1112:* Quadruples limits on qualified energy conservation bonds to \$3.2 billion.
- *Section 1121 Extension and Modification of Credit for Non-Business Energy Property*
  - Increases existing residential efficiency credit from \$500 to \$1,500 for all of 2009 (retroactive) and 2010. Up to 30% of qualified energy efficiency upgrades to a cap of \$1,500 to a primary residence is eligible for a credit.
  - Eliminates lifetime limit meaning that any of the \$500 credits claimed in 2006 or 2007 do not count against the \$1,500 credit cap in 2009 and 2010.
  - Eliminates product-specific credit caps.
  - Qualifying HVAC and plumbing equipment is listed on the following page, courtesy of the Air Conditioning Contractors of America:

## Qualifying Equipment for Tax Credits

Credits Limited to 30% of Installed Costs (up to \$1,500) in the tax years 2009 and 2010.

Equipment	Minimum Energy Efficiency Standard to Qualify		
<b>Electric Air Source Heat Pumps</b>	Split Heat Pumps	Package Heat Pumps	
	15 SEER	14 SEER	
	12.5 EER	12 EER	
	8.5 HSPF	8 HSPF	
<b>Central Air Conditioners</b>	Split System	Package System	
	16 SEER	14 SEER	
	13 EER	12 EER	
<b>Geothermal Heat Pump (30% eligible for credit)</b>	Closed Loop	Open Loop	Direct Expansion
	14.1 EER	16.2 EER	15 EER
	3.3 COP	3.6 COP	3.5 COP
<b>Natural Gas Furnace</b>	95% AFUE		
<b>Natural Gas Hot Water Boiler</b>	90% AFUE		
<b>Propane Furnace</b>	95% AFUE		
<b>Propane Hot Water Boiler</b>	90% AFUE		
<b>Oil Furnace</b>	90% AFUE		
<b>Oil Hot Water Boiler</b>	90% AFUE		
<b>Gas, Oil or Propane Water Heaters</b>	.82 Energy Factor		
	90% Thermal Efficiency		
<b>Electric Heat Pump Hot Water Heater</b>	2.0 Energy Factor		
<b>Wood Stoves</b>	75% Thermal Efficiency as measured using a lower heating value.		
<b>Advanced Main Air Circulating Fan (ECMs)</b>	No more than 2% of furnace total energy use		

- Qualifying levels for insulation must meet 2009 IECC
- Equipment installed after date of enactment must meet the above standards to qualify while previous-qualifying equipment installed prior to enactment also remains eligible
- *Section 1123*: Eliminates dollar cap and establishes credit for full 30% of installation costs for geothermal heat pumps.

**Here are some additional sections of interest and some that you should have your tax professional review:**

*Subtitle C, Tax Incentives for Businesses:*

- *Sections 1201 and 1202*: Increase expensing limits and bonus depreciation credits
- *Section 1211*: Permits a five-year carry back of operating losses
- *Section 1221*: Provides tax incentives for hiring unemployed veterans and disconnected youth
- *Section 1241*: Establishes special rules for qualified small business stock
- *Section 1251*: Modifications to S-Corporation regulations and tax policy
- *Sections 1261 and 1262*: Changes to treatment of certain ownership changes
- *Section 1511*: One-year delay in withholding tax on government contractors
- *Section 1521*: \$11 billion in 2009 and 2010 for qualified school construction bonds
- *Section 1602*: Incentives for upgrades to low-income housing
- *Section 1603*: Grants in lieu of tax credits for qualified energy properties such as wind, solar, and geothermal

NOTE: The above sections of note and their descriptions are the result of a brief and initial study by HARDI. We encourage any comments or corrections found after closer study.

For questions or more information on these incentives or other government affairs, contact HARDI's Government Relations Committee at [gr@hardinet.org](mailto:gr@hardinet.org) or call (888) 253-2128.