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To: Carrier Dealers

From: Carrier Corporation

Date: March 2, 2009

Subject: FAQ's - American Recovery and Reinvestment Act of 2009

Frequently Asked Questions:

Can the homeowner claim \$1500 in tax credits for improvements made in 2009 and again for improvements made in 2010?

No. Taxpayers may be eligible for a total of \$1500 in tax credits for qualifying HVAC improvements made in the combined two year period of 2009 and 2010.

Can a homeowner claim the entire \$1500 credit for the installation of one appliance?

Yes. A homeowner may use the entire \$1500 tax credit for installing a single qualified appliance, such as a qualified furnace, air conditioner or heat pump, if the install cost is at least \$5000. If a homeowner replaced multiple appliances at the primary residence (i.e. two air conditioning systems, etc), the maximum credit would still be \$1500.

What happens if the consumer's purchase is not large enough to qualify for the maximum credit of \$1500? Is the remaining credit still available for future purchases?

The homeowner can claim the remaining available tax credit if he/she purchases additional qualified improvements for installation before December 31, 2010. Any single qualifying installation that costs more than \$5000 will reach the \$1500 tax credit limit.

Does the tax credit apply to the cost of the equipment only or does the cost of installation labor qualify for the credit too?

The tax credit applies to the installed costs of the qualified equipment, which includes labor costs properly allocable to the installation of the qualifying equipment.

How will a taxpayer claim the credit and receive their money?

In the past, the IRS has directed taxpayers to use Form 5695 Version 2009 (expected to be available towards the end of 2009), Residential Energy Efficient Property Credit. Taxpayers are not required to file anything more than the form, but are instructed to keep records of their installation.

What's the difference between a tax credit and a tax deduction?

A tax credit is a direct reduction of the taxpayers' tax liability. A tax deduction is a reduction of a taxpayer's taxable income, on which the tax liability is calculated. Tax credits provide a greater benefit to a taxpayer.

What if the homeowners already claimed \$500 in tax credits in 2006 or 2007?

The "lifetime caps" that used to be in place have been removed. Any previous claims for equipment installed before 2009 do not count against the current \$1500 tax credit limit.

Can a homeowner claim the credit for improvements to a second home?

No. The tax credit is only available for improvement to the taxpayer's primary residence.

Can a small business that operates out of a townhouse and installs residential equipment in a commercial setting claim the credit?

No. The tax credit may only be claimed by taxpayers on their personal income taxes for improvements to their primary residence.

What other types of energy efficiency improvements qualify for the tax credits?

Homeowners may be able to qualify for the tax credits if they make qualified improvements to: windows and doors including skylights, storm windows and storm doors; roofing including metal and asphalt roofs; and insulation. All of these improvements qualify, but the homeowner may only claim \$1500 in total for all improvements (except geothermal, for which there is no cap).

Should I promise the homeowner that they will definitely qualify for the tax credit?

No. Each taxpayer's situation is different. You may not know if the taxpayer has already made other improvements that qualify, or if their tax situation will change by the end of the tax year. But to be safe, you can always say "by installing qualified equipment, the taxpayer may be qualified to claim 30% of the installed costs (up to a \$1,500 limit) in tax credits."