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Federal Tax Incentives:

On February 17, 2009, President Obama signed the 2009 stimulus bill (The American Recovery and Reinvestment Act of 2009) that made significant changes to the energy efficiency tax credits. The highlights of these changes are:

- The tax credits that were previously effective for 2009, have been extended to 2010.
- The tax credit percentage has been raised from 10% to 30%.
- The tax credits that were for a specific dollar amount (ex \$300 for a CAC) have been converted to 30% of the cost.
- The maximum credit has been raised from \$500 to \$1500 for 2009 and 2010. However, some improvements such as geothermal heat pumps, solar water heaters, and solar panels are not subject to the \$1,500 maximum credit.

Using spray foam insulation in homes can provide savings for both the homeowner and homebuilder alike. The details of each tax credit are explained below.

Tax Credits for Home Owners:

Overview

Home improvement tax credits are available for home improvements "placed in service" from January 1, 2009 through December 31, 2010. Any qualified home improvements made in 2008 are not eligible for the tax credit. The tax credits are available for insulation, replacement windows, non-solar water heaters, and certain high efficiency heating and cooling equipment. Other notes and details about the available tax credits are:

- Maximum credit amount is \$1,500 in 2009 & 2010 for most home improvements (geothermal heat pumps, solar water heaters, solar panels, fuel cells, and windmills are not subject to this cap)
- Must be for taxpayers principal residence
- If you are building a new home, you can qualify for the tax credit for photovoltaics, solar water heaters, small wind systems and fuel cells, but not the tax credits for windows, doors, insulation, roofs, HVAC, or non-solar water heaters.

Detailed Analysis:

Tax credits are now available for home improvements:

- Must be "placed in service" from January 1, 2009 through December 31, 2010
- Must be for taxpayers principal residence
- Maximum amount is \$1,500 in 2009 & 2010 for most home improvements (geothermal heat pumps, solar water heaters, solar panels, fuel cells, and windmills are not subject to this cap, and are in effect through 2016)
- Must have a Manufacturer Certification Statement³ to qualify

For record keeping, save your receipts and the Manufacturer Certification Statement³

Improvements made in 2009 will be claimed on your 2009 taxes (filed by April 15, 2010) — use IRS Tax Form 5695 (2009 version) — it will be available late 2009 or early 2010

If you are building a new home, you can qualify for the tax credit for geothermal heat pumps, photovoltaics, solar water heaters, small wind systems and fuel cells, but not the tax credits for windows, doors, insulation, roofs, HVAC, or non-solar water heaters.

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Tax Credits for Home Builders:

Eligible contractors need to fill out IRS Form 8908 to get the tax credit. The IRS has provided the following guidance regarding the tax credits for constructing energy efficient new homes available under the Energy Policy Act of 2005:

IRS Notice 2006-27 provides guidance for the credit for building energy efficient homes other than manufactured homes.

IRS Notice 2006-28 provides guidance for the credit for building energy efficient manufactured homes.

Homebuilders are eligible for a \$2,000 tax credit for a new energy efficient home that achieves 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements. At least 1/5 of the energy savings must come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards.

There is also a \$1,000 tax credit to the producer of a new manufactured home achieving 30% energy savings for heating and cooling over the 2004 IECC and supplements (at least 1/3 of the savings must come from building envelope improvements), or a manufactured home meeting the requirements established by EPA under the ENERGY STAR program. Please note that, with the exception of the tax credit for an ENERGY STAR qualified manufactured home, these tax credits are not directly linked to ENERGY STAR. Therefore, a builder of an ENERGY STAR qualified home may be eligible for a tax credit but it is not guaranteed.

These tax credits apply to new homes located in the United States whose construction is substantially completed after August 8, 2005 and that are acquired from the eligible contractor for use as a residence from January 1, 2006 through December 31, 2009.

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