INTERNAL REVENUE SERVICE

IRS News Release

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IRS Provides Guidance on Energy Credit to Home Builders

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WASHINGTON — The Internal Revenue Service today provided guidance regarding the energy efficient homes credit available under the Energy Policy Act of 2005. Under the new provision, an eligible contractor who constructs a qualified new energy efficient home may qualify for a credit of up to $2,000. The credit is available for all new homes, including manufactured homes constructed in accordance with the Federal Manufactured Homes Construction and Safety Standards.

The home qualifies for the credit if:

- It is located in the United States;
- Its construction is substantially completed after August 8, 2005;
- It meets the statutory energy saving requirements, and
- It is acquired from the eligible contractor after December 31, 2005, and before January 1, 2008, for use as a residence.

In general, to meet the energy saving requirements, a home must be certified to provide a level of heating and cooling energy consumption that is at least 30 to 50 percent in the case of manufactured homes, and 50 percent for other homes below that of a comparable home constructed in accordance with the standards of the 2004 Supplement to the 2003 International Energy Conservation Code. It must also have building envelope component improvements providing a level of heating and cooling energy consumption that is at least 10 percent below that of a comparable home. Manufactured homes can also qualify for the credit by meeting Energy Star standards.

- Site-built homes qualify for a $2,000 credit if they reduce energy consumption by 50 percent relative to the International Energy Conservation Code standard.

- Manufactured homes qualify for a $1,000 or $2,000 credit depending on the level of energy savings achieved.

The guidance provides information about the certification process that a builder must complete to qualify for the credit. The guidance also provides for a public list of software programs that may be used in calculating energy consumption for purposes of obtaining a certification.