



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

April 01, 2010

Number: **INFO 2010-0085**
Release Date: 6/25/2010

CC:PSI:B06
CONEX-111089-10

UIL: 25C.00-00, 25D.00-00

The Honorable John Thune
United States Senator
320 South First Street, Suite 101
Aberdeen, SD 57401

Attention:

Dear Senator Thune:

I am responding to your inquiry dated March 8, 2010, on behalf of your constituent, . asked about the tax credits for a qualified geothermal heat pump property and energy-efficient windows.

Homeowners can take a 30 percent tax credit on expenditures during a taxable year for qualified geothermal heat pump property (section 25D of the Internal Revenue Code (the Code)). Qualified geothermal heat pump property means any equipment that uses the ground or ground water as a thermal energy source to heat the home or as a thermal energy sink to cool the home. The equipment must also meet the requirements of the Energy Star program in effect at the time that the taxpayer made the expenditure for the equipment. The labor costs for the onsite preparation, assembly, and original installation of the qualified property, and the labor costs for the piping or wiring to interconnect the property to the home are also eligible for the credit. No cap exists on the amount of the credit allowed. Taxpayers residing in either a newly constructed home or an existing home are eligible for this tax credit.

Additionally, homeowners can take a 30 percent tax credit on expenditures during a taxable year for an energy efficient building envelope component such as a qualifying exterior window (section 25C of the Code). Unlike the credit for geothermal heat pump property which is available for new construction, windows installed on a newly constructed home do not qualify for a tax credit. For an energy-efficient window to qualify for a credit, a taxpayer must install the window on an existing home or on an addition or renovation to an existing home.

According to the law, for the purpose of determining the taxable year that a taxpayer may take these credits, an expenditure for an item is made when the taxpayer completes the original installation of the item. For an expenditure related to the

construction or reconstruction of a structure, the expenditure is made when the taxpayer begins using the structure (section 25D(e)(8) of the Code).

If your constituent did not begin to use the newly constructed home until 2010, we will treat the expenditure as made in 2010, and she should take the credit for a qualified geothermal heat pump in that taxable year. Because the tax credit for windows is unavailable when the windows are installed on a newly constructed home, your constituent is not eligible to take the tax credit on her energy-efficient windows.

I hope this information is helpful. If you or your constituent has any questions, please contact _____ or me at _____ for further assistance.

Sincerely,

Charles B. Ramsey
Chief, Branch 6
Office of Associate Chief Counsel
(Passthroughs & Special Industries)