

Improve Your Home's Energy Efficiency and Claim up to \$1,500 in Tax Credits!

The recently passed stimulus bill (the American Recovery and Reinvestment Act of 2009) includes significant tax incentives for homeowners who make their homes more energy efficient. For qualifying products, including windows that meet new and tougher requirements, you can qualify for up to \$1,500 in direct tax credits. This tax credit exceeds any previous incentives offered by the government. And not only can you get \$1,500 back on qualifying products, but the energy efficiency improvements to your home will continue to pay you back month after month in reduced utility bills!

It is critical, however, to fully understand the qualifications that are mandated by this legislation to ensure that the windows that you purchase can meet the new, tougher efficiency standards and qualify for this tax credit. Just because a window is an Energy Star labeled window does NOT mean that it will qualify! In an effort to clear up some of the confusion that may exist, Custom Windows has summarized key points in a Q&A format. *As with any tax-related legislation, please check with your accountant to verify the availability and impact for your personal situation.*

General Requirements and Limits:

What is the incentive?

For products which qualify (see below) a homeowner may claim up to 30% of the first \$5,000 in product costs as a tax credit, or a maximum of \$1,500. In comparison, the previous tax credit for Energy Star windows was a maximum of only \$200, so this is truly an excellent opportunity to claim significant savings while improving your window energy efficiency to levels beyond even Energy Star requirements! (But make sure your new windows comply with the tougher standards outlined below.)

How is the tax credit claimed?

The final regulations and forms have not yet been published, however in prior programs a special IRS form was filed with a homeowner's personal income taxes and the credit de-

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ducted from their overall tax bill. As soon as the final IRS Tax Credit documents are published they will be available at <http://www.energystar.gov>.

What is the difference between a deduction and a tax credit?

Importantly, this \$1,500 maximum credit is not a deduction from income. A deduction can be phased and only reduces your taxable income. A tax credit, however, directly reduces the total amount of income tax that you owe. In effect, the government is directly reimbursing up to \$1,500 of your purchase of energy efficient windows or other qualifying products.

Is there a time limit or overall cap?

Yes, this legislation allows up to \$1,500 in overall tax incentives to be claimed in 2009 and 2010 combined. There are other energy efficiency improvements to your home which may qualify (e.g. skylights, etc.) but the combined credit for all qualifying products is capped at \$1,500.

Specific Window Requirements:

Do all Energy Star windows qualify for this tax credit?

NO! In a move that is certain to cause some confusion, the energy efficiency requirements to qualify for the tax credit is much tougher to achieve than even the Energy Star requirements! So just because a window is Energy Star rated DOES NOT mean that you will be able to claim the new tax credit. In fact, a quick survey of most windows that are sold in the Houston area indicates that most, while meeting Energy Star requirements, will NOT qualify for this program. So it is up to the buyer to be informed and verify that the window company that they purchase from fully understands and complies with the new requirements.

What are the energy efficiency requirements to claim this tax credit?

To keep this as simple as possible, let's call this plan the '30/30' plan. Just keep 30/30 in mind as we briefly review the two key energy specifications on windows below and what your new windows must achieve in order to qualify:

There are two critical window efficiency specifications as well as a related measurement that is also important to keep in mind. The two energy ratings are U-Factor (an extreme winter rating) and Solar Heat Gain Coefficient (SHGC, the summer rating). (See the Glossary section on this website for more details.) The key requirement for windows to qualify for the tax credit is that the specific rating for both U-Factor and SHGC must be **equal to, or less than, .30** (therefore the

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name, 30/30 plan!). These requirements are much tougher than Texas Energy Code or Energy Star requirements! For example, a window qualifies for the Energy Star label in Houston if it has a U-Factor of .65 (or .75 for replacement windows) and a SHGC of .40 or less. This is significantly higher than the .30 or less required by the new tax credit legislation, so you can see that most Energy Star windows will NOT meet the new Tax Credit requirements!

The third important measurement to keep in mind on windows is Visible Light Transmission. This is simply the percentage of Natural Light that is allowed to pass through the window. Most homeowners want to allow as much Natural Light into their homes as possible while keeping the heat (solar infrared) out. Some windows will be able to achieve the 30/30 requirement by using a darker tinted Low-E glass. These windows may qualify for the credit, but at the cost of the homeowner losing a much higher percentage of the Natural Light in their homes, often more than 50 and even 60%! So for most homeowners the real goal needs to be to find windows that meet the 30/30 tax credit requirements and allow the same amount of Natural Light as a standard Energy Star qualified window.

Do windows from Custom Windows qualify for the tax credit?

As of February 20, 2009, every vinyl-frame window from Custom Windows will qualify for the 30/30 tax credit AND the visible light will be virtually identical to our previous generation of Energy Star windows. (Unfortunately, aluminum-framed windows currently do not qualify, although we are continuing to make efforts on this front as well.)

Because Custom Windows manufactures its own windows, and because we specialize in Houston's heat-dominated climate, we have used Cardinal's excellent Low-E 270 glass in our Energy Star vinyl windows. We have also offered Cardinal's best Low-E (366) as an alternative for maximizing efficiency, but with this new legislation and our partnership with Cardinal, we will now offer Cardinal 366 glass as the standard in all of our vinyl windows. This, in conjunction with using Argon gas, will ensure that *every Custom Windows' vinyl window will meet the tough new requirements for the tax credit!*

The tax incentive of up to \$1,500 that has been built into the new stimulus bill is the most significant and direct energy efficiency savings that has been made available to homeowners ever! If you have been considering making your homes more energy efficient, this is an incentive that can help directly pay for a significant portion of your new windows! But be absolutely sure that the windows you purchase will meet the stringent requirements to qualify for this credit before you make your purchase!

Please feel free to call Custom Windows or email us at sales@custom-windows.net to ask any questions. And remember that any Custom Windows vinyl window that you purchase from February 20, 2009 forward will indeed qualify!