



## \$1,500: A Federal Tax Credit helping you raise awareness, interest and profits in HVAC sales

Who, What, When, Where, Why and How the tax credit works, helping you and your customers

[trane.com](http://trane.com)



# An Overview of The Economic Stimulus Bill

## Background

On February 17, President Obama signed the American Recovery and Reinvestment Act of 2009 (also known as the economic stimulus bill) into law. This legislation combines spending and tax incentives designed to get the American economy moving again by investing in our nation's roads and energy infrastructure, and by providing incentives for increasing the efficiency and performance of America's homes and commercial buildings. Access [www.recovery.gov](http://www.recovery.gov) for the full American Recovery and Reinvestment Act signed by President Obama.

## How It Affects You as a Trane Dealer

Specifically for HVAC contractors, this economic stimulus makes important changes to existing tax incentives for homeowners who make qualified improvements of higher-efficiency HVAC systems to their primary residences. With the passage of this bill, homeowners who purchase HVAC systems to improve their home's energy efficiency will qualify for a tax credit as high as \$1,500.

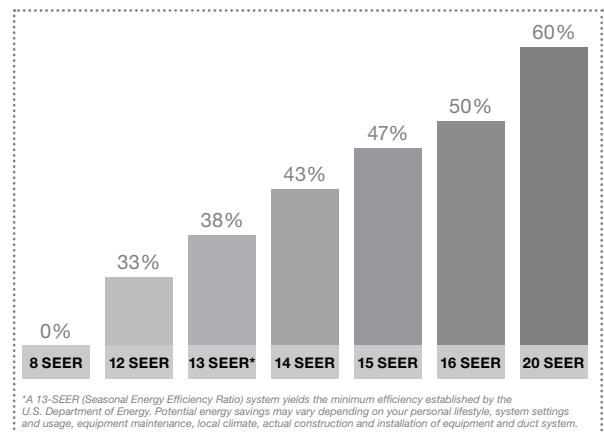
**That means that you, the dealer, can now offer your customers even more reason to upgrade equipment or purchase a new heating and cooling system for their home this year.**

Amid today's turbulent economy, it is likely you may encounter customers grappling with whether the cost of equipment replacement is necessary, or if a repair to their current system will do. With the dual benefits of energy and tax credit savings available, there is more reason for customers to act now. It's a great time for them to take advantage of tax credits by replacing old HVAC systems with tax-credit-qualified HVAC systems. The short-term benefit is the assurance of cost savings by receiving tax credits through the economic stimulus bill; the long-term benefits are the savings they'll achieve by having a more energy-efficient home.

## How Trane Can Help

As a leader in enabling homeowners to take control of their own energy management, Trane already offers systems that can save your customers as much as 60 percent on their energy usage.<sup>1</sup> In addition, Trane offers many products that are eligible for the new energy tax credit, adding even more savings to the equation for homeowners considering a new heating and cooling system.

Read on to learn how the tax credit program works, which Trane products qualify, and to find the answers to common questions your customers may have about these new benefits.



<sup>1</sup> Potential energy reduction comparing an 8-SEER (Seasonal Energy Efficiency Ratio) system to a 20-SEER system. Actual energy savings vary based on lifestyle, system settings, maintenance, climate and installation.

# What You Need to Know To Work With Your Customers

## How the Tax Credit Program Works

For qualified energy-related home improvements, homeowners may be able to claim tax credits equal to 30 percent of their product and installation costs, up to \$1,500. These credits are valid for purchases and installations made from January 1, 2009, to December 31, 2010. The \$1,500 limit is for all improvements made during the two-year term, rather than \$1,500 each year.

## Trane Products That Qualify for This Credit

Some, but not all, Trane products may qualify for the tax credit. Below is a summary of the system components and efficiency requirements as they apply to residential HVAC equipment. For more information about specific products and systems, visit [trane.com/taxcredit](http://trane.com/taxcredit).

HVAC System Component	Efficiency Requirements
Split System Air Conditioner	16 SEER 13 EER Both efficiency levels must be met to qualify for the tax credit.
Split System Heat Pump	15 SEER 12.5 EER 8.5 HSPF All three efficiency levels must be met to qualify for the tax credit.
Gas Furnace	95% AFUE
Packaged Air Conditioner, Heat Pump, Gas Electric or Dual Fuel Products	14 SEER 12 EER 8 HSPF

## Quick Tips for Your Customers:

- Products must be “placed in service” from January 1, 2009, through December 31, 2010.
- Products must be for the taxpayer’s primary residence.
- \$1,500 is the maximum total amount that can be claimed for all products placed in service in 2009 and 2010 for most home improvements.
- Products must have a Manufacturer Certification Statement to qualify.
- For record-keeping, homeowners should save their receipts and the Manufacturer Certification Statement.
- Improvements made in 2009 will be claimed on homeowners’ 2009 taxes (filed by April 15, 2010); use IRS 2009 Form 5695<sup>1</sup>, which will be available in late 2009 or early 2010.
- Homeowners building a new home 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 nonsolar water heaters.

<sup>1</sup> It is expected that the IRS will produce new rules related to the recently enacted stimulus legislation, giving taxpayers further guidance on claiming tax credits. To fully understand how the new tax credit may apply and what your customers can do to obtain one, be sure to remind them to consult a tax professional for advice on tax preparation.

# How to Apply for the Energy Tax Credit

Here's a quick step-by-step guide for your customers to follow when applying for the energy tax credit.



## Step 1:

Talk to a local independent Trane dealer to determine what products will qualify, or visit [trane.com/taxcredit](http://trane.com/taxcredit) for a complete product listing.



## Step 2:

Consult a tax professional to ensure that the system qualifies, and find out what documents are needed. In the past, the IRS has directed taxpayers to use 2009 Form 5695 (Residential Energy Efficient Property Credit).



## Step 3:

Purchase a tax-credit-qualified Trane product or system.



## Step 4:

Keep copies of invoices and receipts for documenting expenditures, in addition to any other documents as advised by a tax professional.



## Step 5:

Obtain the Trane Certification Statement for the new system at [trane.com/taxcredit](http://trane.com/taxcredit).



## Step 6:

Fill out IRS 2009 Form 5695 (Residential Energy Efficient Property Credit).



## Step 7:

File your federal tax return and cash in on the energy tax credit up to a maximum of 30 percent of the installed price, or \$1,500.

# Quality Inside and Out: That's a Trane System

## Moving the Dial from Repair to Replace with Trane

While many homeowners will gravitate toward the lower costs of HVAC system repair versus replacement this year, there is much to be said for the benefit (and cost savings) of a new heating and cooling system for the home.

Beyond the short-term benefit of a \$1,500 tax credit, identifying an energy-efficient Trane HVAC solution for your customers will help them continue to enjoy cost savings for years to come. This translates not only to increased product satisfaction on their end, but also to increased profit margins for your business in selling these higher-quality products.

As you know, one of the best ways for homeowners to improve their home energy efficiency is to replace their outdated air conditioners and furnaces, especially if they are more than 10–15 years old. For customers considering this option, the Trane XL20i air conditioner and XC95 furnace offer great replacement solutions.



Upgrading to a Trane XL20i air conditioner, with a SEER rating of up to 20.0, could save a family up to 60 percent on their annual energy usage, on top of the \$1,500 tax credit.<sup>1</sup>

Both products have communicating features that ensure a home's system is performing at its highest efficiency year-round. What's more, the XL20i delivers one of the highest Seasonal Energy Efficiency Ratios (SEER) available with a rating of up to 20.0, while the XC95 furnace delivers an Annual Fuel Utilization Efficiency (AFUE) of up to 95 percent. This means that up to 95 cents of every dollar spent to operate the furnace will go toward heating the home.

Did you know the average household will pay \$2,300 this year in home energy costs?<sup>2</sup> By turning to Trane for home energy solutions, your customers are guaranteed a system that will help them breathe easier with increased efficiency and decreased expenses.

Trane is dedicated to meeting the needs of homeowners in a very dynamic environment. Not only is it "Hard to Stop a Trane," but with your effort, it is also hard to stop Trane from doing what it takes to make sure consumers have every opportunity to enjoy the most reliable products in the industry.

Visit [trane.com](http://trane.com) to learn more about how Trane can help your customers achieve increased energy efficiency for their home, and in turn help you achieve an increased bottom line for your business.

<sup>1</sup> Potential energy reduction comparing an 8-SEER (Seasonal Energy Efficiency Ratio) system to a 20-SEER system. Actual energy savings vary based on lifestyle, system settings, maintenance, climate and installation.

<sup>2</sup> Alliance to Save Energy

# Tax Credit Program FAQ

**Q: Can homeowners claim \$1,500 in tax credits for improvements made in 2009 and again for improvements made in 2010?**

A: No. Homeowners will be eligible only for a total of \$1,500 in tax credits for qualifying improvements made in the combined two-year period of 2009 and 2010.

**Q: What happens if the 30 percent of the installed costs is less than \$1,500?**

A: The homeowner can use the remaining available tax credit for other qualified improvements. Any single installation of a qualifying system or HVAC system that costs more than \$5,000 will reach the \$1,500 limit.

**Q: Does the tax credit apply to the cost of the equipment or equipment plus labor?**

A: The tax credit applies to the installed costs of the qualified equipment, which includes labor.

**Q: Can a homeowner use the \$1,500 tax credit toward a single HVAC system installation?**

A: Yes, since the per-HVAC-system caps have been removed by this new legislation, a homeowner may use the entire \$1,500 in tax credits for installing a single qualified HVAC system, such as a furnace, air conditioner, heat pump, etc., up to 30 percent of the installed cost of that one HVAC system.

**Q: Do I have to have a Trane matched system to qualify?**

A: No. Trane systems as well as Trane air conditioners and heat pumps mix-matched with coils from independent coil manufacturers may qualify. Please consult the Air Conditioning, Heating, and Refrigeration Institute (AHRI) directory for complete information about qualifying systems. The AHRI directory can be found at [www.ahrinet.org](http://www.ahrinet.org).

**Q: Where can a homeowner, dealer or distributor find a list of qualifying systems?**

A: Visit [www.ahrinet.org](http://www.ahrinet.org).

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

A: A tax credit is generally more valuable than an equivalent tax deduction because a tax credit reduces tax dollar for dollar, while a deduction removes only a percentage of the tax that is owed. Customers can itemize purchases on their federal income tax form, which will lower the total amount of tax they owe the government. **It is strongly advised that you consult your tax professional.**

**Q: What if the homeowner already claimed \$500 in tax credits in 2006 or 2007?**

A: The "lifetime caps" that used to be in place have been removed. Previous claims do not count against the current \$1500 tax credit limit.

Keep in mind each taxpayer's situation is different, so you should never promise the homeowner that he or she will definitely qualify for the tax credit. It is best to always direct them to their tax professional.



**Q: Is this 2009 tax credit similar to the tax credit offered back in 2005?**

A: The 2009 tax credit is similar in that it provides customer credit for investment in residential energy efficiency. The particulars, however, are much different. A summary of the provisions of the 2009 bill is located at [http://www.energystar.gov/index.cfm?c=products.pr\\_tax\\_credits#c3](http://www.energystar.gov/index.cfm?c=products.pr_tax_credits#c3).

**Q: What is the Manufacturer Certification Statement that homeowners need to keep on file for their tax records?**

A: The IRS has not yet issued any instruction for claiming the credit, so the only guidance is past precedents. It is anticipated that the customer will need two things:

1. An invoice or receipt for the qualifying equipment clearly identifying the make and model of the equipment. If the project includes both qualifying and nonqualifying equipment, the consumer should anticipate that the IRS will require that the invoice or receipt be itemized to the extent that the price paid for the qualifying equipment is clearly distinguishable.
2. A manufacturer's certification that the model(s) on the invoice or receipt qualifies for the credit.

The best guidance, for now, is located here: [http://www.irs.gov/irb/2006-11\\_IRB/ar11.html](http://www.irs.gov/irb/2006-11_IRB/ar11.html).

**Q: Do you have any more information about the Advanced Main Air Circulating Fan credit?**

A: This is under active discussion within the industry and between representatives of the industry and the IRS. At this time, there is no clear guidance. When it is resolved, it is not anticipated that the IRS will allow credit of 30 percent of the incremental price of a unit with an advanced circulating fan over the cost of a comparable unit with a conventional fan. It is not anticipated that the IRS would grant full credit based on the full purchase price of an otherwise nonqualifying product that contained an advanced circulating fan.

**Q: Can a homeowner claim credits for improvements to a second home, such as a vacation home?**

A: No, the tax credit program is available only for improvements made to the taxpayer's primary residence.

**Q: How does the homeowner apply for the credit?**

A: In the past, the IRS has directed taxpayers to use Form 5695, Residential Energy Efficient Property Credit (the 2009 version is expected to be available toward the end of 2009). It is best to consult with a tax professional for advice on tax preparation.

#### **Additional Resources:**

This document was prepared using information from a number of sources, including the following Web sites. Additional information may be found at these sites:

Air Conditioning, Heating, and Refrigeration Institute (AHRI): [www.ahrinet.org](http://www.ahrinet.org)

American Recovery and Reinvestment Act: [www.recovery.gov](http://www.recovery.gov)

ENERGY STAR: [http://www.energystar.gov/index.cfm?c=products.pr\\_tax\\_credits](http://www.energystar.gov/index.cfm?c=products.pr_tax_credits)

Heating, Air Conditioning & Refrigeration Distributors International (HARDI): [www.hardinet.org](http://www.hardinet.org)

[HVACtaxcredits.com](http://HVACtaxcredits.com)

*Please note: Since the economic stimulus bill was passed in February, there are still things that are a bit uncertain. As more information becomes available, this document will be updated.*