**Effective Date of 2008 Amendment**


**Effective Date of 2006 Amendment**


**Effective and Termination Dates of 2005 Amendment**


**Effective Date of 2004 Amendment**


**Effective Date of 2002 Amendment**

Pub. L. 107–147, title IV, §411(x), Mar. 9, 2002, 116 Stat. 120, provided that: "The amendments made by this section [amending this section, sections 23, 24, 38, 45E, 45F, 63, 137, 401 to 404, 408, 409, 412, 414 to 417, 457, 530, 2016, 2101, 2511, 4980F, and 4980H of this title] and section 106(f)(1) of Pub. L. 110–343, set out as an effective date in the same manner as specified in section 901 of the Energy Policy Act of 2005, Pub. L. 109–58, shall apply to amounts paid or incurred for improvements to qualifying property described in subsection (c) of section 129 of the Energy Policy Act of 2005 and to amounts paid or incurred for improvements to qualifying property described in subsection (c) of section 129 of such Act after December 31, 2005, in the same manner as specified in subsection (b)(1) of section 901 of the Energy Policy Act of 2005, Pub. L. 109–58, to which it relates and applicable to taxable years beginning after Dec. 31, 2005.

**Effective Date of 2001 Amendment**

Amendment by section 618(b)(1) of Pub. L. 107–16 inapplicable to taxable years beginning during 2004 or 2005, see section 313(b)(2) of Pub. L. 108–311, set out as an Effective Date of 2001 Amendment note under section 23 of this title.

Amendment by section 618(b)(1) of Pub. L. 107–16 inapplicable to taxable years beginning during 2002 and 2003, see section 601(b)(2) of Pub. L. 107–147, set out as an Effective Date of 2001 Amendment note under section 23 of this title.

Amendment by section 618(b)(1) of Pub. L. 107–16 applicable to taxable years beginning after Dec. 31, 2001, see section 618(d) of Pub. L. 107–16, set out as an Effective Date of 2001 Amendment note under section 24 of this title.

**§25C. Nonbusiness energy property**

**(a) Allowance of credit**

In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

(1) 10 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year, and

(2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year.

**Limitations**

(1) Lifetime limitation

The credit allowed under this section with respect to any taxpayer for any taxable year shall not exceed the excess (if any) of $500 over the aggregate credits allowed under this section with respect to such taxpayer for all prior taxable years ending after December 31, 2005.

(2) Windows

In the case of amounts paid or incurred for components described in subsection (c)(3)(B) by any taxpayer for any taxable year, the credit allowed under this section with respect to such amounts for such year shall not exceed the excess (if any) of $200 over the aggregate credits allowed under this section with respect to such amounts for all prior taxable years ending after December 31, 2005.

**3) Limitation on residential energy property expenditures**

The amount of the credit allowed under this section by reason of subsection (a)(2) shall not exceed—

(A) $50 for any advanced main air circulating fan,

(B) $150 for any qualified natural gas, propane, or oil furnace or hot water boiler, and

(C) $300 for any item of energy-efficient building property.

**Qualified energy efficiency improvements**

For purposes of this section—

(1) In general

The term ‘‘qualified energy efficiency improvements’’ means any energy efficient building envelope component, if—

(A) such component is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer’s principal residence (within the meaning of section 121),

(B) the original use of such component commences with the taxpayer, and

(C) such component reasonably can be expected to remain in use for at least 5 years.

(2) Energy efficient building envelope component

The term ‘‘energy efficient building envelope component’’ means a building envelope component which meets—

(A) applicable Energy Star program requirements, in the case of a roof or roof products,

(B) version 6.0 Energy Star program requirements, in the case of an exterior window, a skylight, or an exterior door, and

(C) the prescriptive criteria for such component established by the 2009 International Energy Conservation Code, as such Code (in-
§ 25C
TITLE 26—INTERNAL REVENUE CODE
Page 98

(3) Building envelope component

The term "building envelope component" means—
(A) any insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on such dwelling unit,
(B) exterior windows (including skylights),
(C) exterior doors, and
(D) any metal roof or asphalt roof installed on a dwelling unit, but only if such roof has appropriate pigmented coatings or cooling granules which are specifically and primarily designed to reduce the heat gain of such dwelling unit.

(4) Manufactured homes included

The term "dwelling unit" includes a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (part 3280 of title 24, Code of Federal Regulations).

(d) Residential energy property expenditures

For purposes of this section—

(1) In general

The term "residential energy property expenditures" means expenditures made by the taxpayer for qualified energy property which is—
(A) installed on or in connection with a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121), and
(B) originally placed in service by the taxpayer.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

(2) Qualified energy property

(A) In general

The term "qualified energy property" means—
(i) energy-efficient building property,
(ii) a qualified natural gas, propane, or oil furnace or hot water boiler, or
(iii) an advanced main air circulating fan.

(B) Performance and quality standards

Property described under subparagraph (A) shall meet the performance and quality standards, and the certification requirements (if any), which—
(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy or the Administrator of the Environmental Protection Agency, as appropriate), and
(ii) are in effect at the time of the acquisition of the property, or at the time of the completion of the construction, reconstruction, or erection of the property, as the case may be.

(C) Requirements and standards for air conditioners and heat pumps

The standards and requirements prescribed by the Secretary under subparagraph (B) with respect to the energy efficiency ratio (EER) for central air conditioners and electric heat pumps—
(i) shall require measurements to be based on published data which is tested by manufacturers at 95 degrees Fahrenheit, and
(ii) may be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency.

(3) Energy-efficient building property

The term "energy-efficient building property" means—
(A) an electric heat pump water heater which yields an energy factor of at least 2.0 in the standard Department of Energy test procedure,
(B) an electric heat pump which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009,
(C) a central air conditioner which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009,
(D) a natural gas, propane, or oil water heater which has either an energy factor of at least 0.82 or a thermal efficiency of at least 90 percent, and
(E) a stove which uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and which has a thermal efficiency rating of at least 75 percent.

(4) Qualified natural gas, propane, or oil furnace or hot water boiler

The term "qualified natural gas, propane, or oil furnace or hot water boiler" means a natural gas, propane, or oil furnace or hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 95.

(5) Advanced main air circulating fan

The term "advanced main air circulating fan" means a fan used in a natural gas, propane, or oil furnace and which has an annual electricity use of no more than 2 percent of the total annual energy use of the furnace (as determined in the standard Department of Energy test procedures).

(6) Biomass fuel

The term "biomass fuel" means any plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (including wood pellets), plants (including aquatic plants), grasses, residues, and fibers.

(e) Special rules

For purposes of this section—
(1) Application of rules
Rules similar to the rules under paragraphs (4), (5), (6), (7), and (8) of section 25D(e) shall apply.

(2) Joint ownership of energy items
(A) In general
Any expenditure otherwise qualifying as an expenditure under this section shall not be treated as failing to so qualify merely because such expenditure was made with respect to two or more dwelling units.

(B) Limits applied separately
In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

(3) Property financed by subsidized energy financing
For purposes of determining the amount of expenditures made by any individual with respect to any property, there shall not be taken into account expenditures which are made from subsidized energy financing (as defined in section 48(a)(4)(C)).

(f) Basis adjustments
For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

(g) Termination
This section shall not apply with respect to any property placed in service—
(1) after December 31, 2007, and before January 1, 2009, or
(2) after December 31, 2017.


REFERENCES IN TEXT

AMENDMENTS


2015—Subsec. (c)(1). Pub. L. 114–113, §181(b)(1), struck out “which meets the prescriptive criteria for such component established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009 (or, in the case of an exterior window, a skylight, an exterior door, a metal roof with appropriate pigmented coatings, or an asphalt roof with appropriate coolant granules, which meet the Energy Star program requirements)” after “envelope component” in introductory provisions.

Subsec. (c)(2) to (4). Pub. L. 114–113, §181(b)(2), added par. (2) and redesignated former pars. (2) and (3) as (3) and (4), respectively.


2010—Subsecs. (a), (b). Pub. L. 111–312, §710(b)(1), amended subsecs. (a) and (b) generally. Prior to amendment, subsecs. (a) and (b) read as follows: “(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the sum of—
“(1) the amount paid or incurred by the taxpayer during such taxable year for qualified energy efficiency improvements, and
“(2) the amount of the residential property energy expenditures paid or incurred by the taxpayer during such taxable year.”

(b) LIMITATION.—The aggregate amount of the credits allowed under this section for taxable years beginning in 2009 and 2010 with respect to any taxpayer shall not exceed $1,500.”


Pub. L. 111–312, §710(b)(2)(A), in introductory provisions, substituted “2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009” for “2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of this section”.

Subsec. (c)(2)(A). Pub. L. 111–312, §710(b)(2)(E), struck out “and meets the prescriptive criteria for such material or system established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009” after “on such dwelling unit”.

Subsec. (c)(4). Pub. L. 111–312, §710(b)(2)(D)(i), struck out par. (4). Text read as follows: “Such term shall not include any component described in subparagraph (B) or (C) of paragraph (2) unless such component is equal to or below a U factor of 0.30 and SHGC of 0.30.”


Subsec. (d)(3)(E). Pub. L. 111–312, §710(b)(2)(B), struck out “, as measured using a lower heating value” after “75 percent”.

Subsec. (d)(4). Pub. L. 111–312, §710(b)(2)(C)(i), amended par. (4) generally. Prior to amendment, par. (4) de-
The term "qualified natural gas furnace", "qualified oil furnace", "qualified natural gas hot water boiler", or "qualified oil hot water boiler" means a natural gas, propane, or oil furnace or water heater which—

(a) in the case of a closed loop product, has an energy efficiency ratio (EER) of at least 14.1 and a heat-pump coefficient of performance (COP) of at least 3.3,

(b) in the case of an open loop product, has an energy efficiency ratio (EER) of at least 16.2 and a heating seasonal performance factor (HSPF) of at least 9,

(5) a central heat pump which—

(a) in the case of a central heat pump, has an energy efficiency ratio (EER) of at least 13.2 and a heating seasonal performance factor (HSPF) of at least 9,

(b) in the case of a geothermal heat pump which—

(i) has a seasonal energy efficiency ratio (SEER) of at least 13.2, an energy efficiency ratio (EER) of at least 15, a seasonal heating coefficient of performance (SHCOP) of at least 5.5, and an energy efficiency ratio (EER) of at least 12.5,

(ii) in the case of a ground source heat pump, has an energy efficiency ratio (EER) of at least 17.5 and a heating seasonal performance factor (HSPF) of at least 9.5,

(iii) in the case of a water source heat pump, has an energy efficiency ratio (EER) of at least 17.5 and a heating seasonal performance factor (HSPF) of at least 9.5,

(iv) in the case of a dual-source heat pump, has an energy efficiency ratio (EER) of at least 17.5 and a heating seasonal performance factor (HSPF) of at least 9.5,

3.5,''.

The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 2014.

The amendment made by this section [amending this section] shall apply to periods after December 31, 2014, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990 [Nov. 5, 1990]).

(2) Conforming amendments.—The amendments made by subparagraphs (A) and (B) of subsection (b) [amending this section and sections 25D and 48 to 48B of this title] shall apply to taxable years beginning after December 31, 2016.

The amendment made by this section [amending this section] shall apply to property placed in service after December 31, 2016.

The amendment made by this section [amending this section] shall apply to property placed in service after December 31, 2016.

The amendment made by this section [amending this section] shall apply to property placed in service after December 31, 2016.
§ 25D. Residential energy efficient property

(a) Allowance of credit

In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the applicable percentages of—

(1) the qualified solar electric property expenditures,
(2) the qualified solar water heating property expenditures,
(3) the qualified fuel cell property expenditures,
(4) the qualified small wind energy property expenditures, and
(5) the qualified geothermal heat pump property expenditures,

made by the taxpayer during such year.

(b) Limitations

(1) Maximum credit for fuel cells

In the case of any qualified fuel cell property expenditure, the credit allowed under subsection (a) (determined without regard to subsection (c)) for any taxable year shall not exceed $500 with respect to each half kilowatt of capacity of the qualified fuel cell property (as defined in section 48(c)(1)) to which such expenditure relates.

(2) Certification of solar water heating property

No credit shall be allowed under this section for an item of property described in subsection (d)(1) unless such property is certified for performance by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed.

(c) Carryforward of unused credit

If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

(d) Definitions

For purposes of this section—

(1) Qualified solar water heating property expenditure

The term “qualified solar water heating property expenditure” means an expenditure for property to heat water for use in a dwelling unit located in the United States and used as a residence by the taxpayer if at least half of the energy used by such property for such purpose is derived from the sun.

(2) Qualified solar electric property expenditure

The term “qualified solar electric property expenditure” means an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.

(3) Qualified fuel cell property expenditure

The term “qualified fuel cell property expenditure” means an expenditure for qualified fuel cell property (as defined in section 48(c)(1)) installed on or in connection with a dwelling unit located in the United States and used as a principal residence (within the meaning of section 121) by the taxpayer.

(4) Qualified small wind energy property expenditure

The term “qualified small wind energy property expenditure” means an expenditure for property which uses a wind turbine to generate electricity for use in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

(5) Qualified geothermal heat pump property expenditure

(A) In general

The term “qualified geothermal heat pump property expenditure” means an expenditure for qualified geothermal heat pump property installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

(B) Qualified geothermal heat pump property

The term “qualified geothermal heat pump property” means any equipment which—

(i) uses the ground or ground water as a thermal energy source to heat the dwelling unit referred to in subparagraph (A) or as a thermal energy sink to cool such dwelling unit, and

(ii) meets the requirements of the Energy Star program which are in effect at the time that the expenditure for such equipment is made.

(e) Special rules

For purposes of this section—

(1) Labor costs

Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in subsection (d) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section.

(2) Solar panels

No expenditure relating to a solar panel or other property installed as a roof (or portion