

System Requirement Basics:

- Any geothermal equipment meeting ENERGY STAR requirements at the time of installation is eligible for the federal tax credit.
- The geothermal system must be installed in the United States in a home owned by the taxpayer.
 - ◆ Primary residency is not required for eligibility.
- The credit is equal to 30% of the total system cost.
 - ◆ Inclusive of equipment, labor, piping, etc.

Credit Basics:

- Can be used to offset Alternative Minimum Tax (AMT).
- Can be used in more than one year.
- Can be combined with other energy efficiency upgrade credits.
- Can be combined with solar and wind tax credits.
- There is no cap to the tax credit.
- There is no limit to the number of times the credit can be claimed.
 - ◆ If the taxpayer has more than one home, the credit can be claimed for each home where geothermal equipment is installed.

How to Claim the Tax Credit

IRS Form 5695 is used to claim the Residential Energy Efficient Property Credit.



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Guide to

Residential Geothermal System Tax Incentives

United States of America

Product specifications reflect available information at time of printing.
Design and specifications may change without notice.

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The American Recovery and Reinvestment Act, adopted in October 2008 allows for a 30% tax credit for costs associated with ENERGY STAR® qualified geothermal heat pumps, as noted in section 25D of the Internal Revenue Code. The credit applies to geothermal equipment placed in service through December 31, 2016*.



*Equipment placed in service during 2008 was subject to a cap of \$2,000. This cap was removed for geothermal heat pumps placed in service after December 31, 2008.

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Frequently Asked Questions

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

A tax deduction reduces the amount of your income that is considered taxable by the IRS. A tax credit is taken after the determination of the amount of taxes that you have to pay. Tax credits are dollar for dollar reductions in the amount of taxes you owe, and are the same for everyone, regardless of income level.

What if my geothermal tax credit amount exceeds my tax liability?

You will not lose any of the remaining balance. The residual amount will be carried forward into future years and applied to that tax liability.

Can I claim the tax credit if I install a qualified geothermal heat pump in my existing home?

Yes, the tax credit applies to existing residential installations as well as new construction.

Is there any geothermal equipment not covered under this tax credit?

The tax credit can only be applied to new “qualified geothermal heat pump property.” Geothermal equipment that does not meet ENERGY STAR requirements effective at the time the equipment is installed is not eligible. Also excluded is equipment used exclusively to heat swimming pools or hot tubs or previously used geothermal equipment.

Am I eligible for the tax credit if geothermal equipment is installed in my condo?

Possibly. You may be able to claim the tax credit on your share of the condominium association’s geothermal spending. The tax code has specific restrictions, so please consult your tax professional and homeowner’s association for further information.

Can I get this tax credit if I install a geothermal system at my business location?

There is a separate tax credit available for businesses installing geothermal equipment. If you have a business operating out of your home, consult your tax professional for proper allocation of the residential tax credit.

How Does the Geothermal Tax Credit Compare to Tax Incentives for Conventional Equipment?

	Geothermal system	Conventional system
Expiration	December 31, 2016	December 31, 2011
Credit	30%	10%
Cap	none	\$500*
Requirements	 Qualified	Specific SEER & EER high efficiency units
	New construction & existing structure	Existing structure only
Lifetime Limit	none	\$500**

* Up to \$300 for high efficiency central air conditioner, heat pump or hot water heater. Up to \$150 for qualified furnace or hot water boiler. Up to \$50 for installing a system with an advanced main air circulating fan.

** Since January 1, 2005.

Other Geothermal Incentives

Many entities beyond the federal government are now providing incentives for purchasers of geothermal heating and cooling equipment. Numerous states, local municipalities and utilities also now offer rebates, tax incentives or low interest loans to support your installation.

For more information on incentives available to you, please contact your local GeoComfort dealer or your local tax professional. You can also visit Database of State Incentives for Renewables and Efficiency at www.desireusa.org. DSIRE is a comprehensive source of information on state, local, utility and federal incentives and policies that promote renewable energy and energy efficiency.

