

# Credits & Accounting Methods

## Section 45L New Energy Efficient Home Credit

Several Energy related tax incentives available to taxpayers have recently been re-authorized and are now available to be claimed by eligible taxpayers. This includes the Section 45L New Energy Efficient Home Credit which is available for the construction of qualified new energy-efficient homes that are leased or sold prior to December 31, 2020.

Intended to offset the cost of building energy efficient homes, apartment buildings and other residential dwelling units, the credit allows the contractor who built the home to take the credit to reduce their tax liability in the year the home is first leased or sold.

To help you better understand the Section 45L tax credit, we're addressing some commonly asked questions:

### What qualifies for Section 45L?

Single family residences, apartment buildings, townhomes, condominiums, assisted living facilities, student housing and other facilities designed for individual(s) occupancy. The buildings must be no more than three stories above grade and must be built to achieve an annual heating and cooling energy consumption of at least 50 percent below the energy consumption of a comparable dwelling built to the 2006 International Energy Conservation Code. An energy certification by an eligible certifier is required and involves both a field inspection and projected energy consumption analysis against a model of a comparable unit.

### How much is the credit?

The credit is \$2,000 per home or rental unit. There is a smaller credit of \$1,000 for certain manufactured homes that meet a lesser energy efficient standard.

## Who can take the credit?

Only the taxpayer that built the property, and then either sells, leases or uses the property for themselves is eligible for the credit.

## What is the eligibility timeframe?

New homes or dwelling units must be substantially completed and sold or leased prior to December 31, 2020.

## What are some of the basic specifications required to ensure the dwelling units are qualified?

In order to meet the energy efficient standards, the units must have an air conditioner with a SEER rating of at least 13 and have a Heat Pump SEER rating of 13 and a Heating Seasonal Performance Factor ("HSPF") of 7.7. Other criteria to consider are the R values of the roof and wall insulation, windows that have Low E ratings and have double or triple pane glass.

## How do I claim the credit?

The credit is claimed by filing form 8908 with the taxpayer's either timely filed return or on an eligible amended return. Taxpayers generally have up to three years to amend prior year returns. The credit received reduces the basis in the property, so it may impact the amount of depreciation taken against the property.

## What information is needed to estimate the eligible credit?

Basic information such as address, number of units and site contact information. Also, as part of the Cherry Bekaert evaluation, a full set of architectural plans and specifications is needed. In addition, information on the insulation values, doors and windows and HVAC and heating systems is required. Lastly, the units must be inspected after they are substantially completed so site contact information and coordination with the facilities owner or manager will be necessary.

## What do I get from a Section 45L review?

As part of our no-cost estimate, Cherry Bekaert will evaluate the plans and specifications to determine if the units meet the basic criteria to take the credit and provide the fee and Return on Investment ("ROI") analysis to help taxpayers understand their expected return. The final certification will still require the site inspection and more detailed energy analysis, but this no-cost estimate helps taxpayers understand the potential benefit as well as how likely the units are to qualify before beginning the project.

## Next Steps

Reach out to your Cherry Bekaert tax advisor today and see what energy tax credits may be available to you.

*Let us be your guide forward*



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