

Fiscal Cliff Legislation Retroactively Extends HVAC and Water Heating Tax Credits

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Fiscal cliff avoidance legislation, signed into law by President Obama on January 2, also retroactively reinstated 25C tax credits for highly efficient HVAC and water heating equipment.

The bill - among many other tax provisions - extends the HVAC/water heater tax credits that expired in 2011 from Jan. 1, 2012, until Dec. 31, 2013. The tax credits cover qualified equipment included in Section 25C of the Internal Revenue Code.

The Air-Conditioning, Heating, and Refrigeration Institute (AHRI) explained that, because the credits were made retroactive to Jan. 1, 2012, they apply to qualified equipment installed any time after Dec. 31, 2011. Qualified equipment includes:

Water heaters (\$300 tax credit)

- * electric heat pump water heaters with an energy factor of at least 2.0
- * natural gas, propane, or oil water heaters with an energy factor of at least 0.82 or a thermal efficiency of at least 90%

Furnaces (\$150 tax credit)

- * natural gas, propane, or oil furnaces with an AFUE of at least 95

Boilers (\$150 tax credit)

- * natural gas, propane, or oil boilers with an AFUE of at least 95

Air-conditioners and heat pumps (\$300 tax credit)

- * split system central air-conditioners with the highest efficiency CEE tier as of Jan. 1, 2009 (16 SEER; 13 EER)
- * packaged central air-conditioners with the highest efficiency CEE tier as of Jan. 1, 2009 (14 SEER; 12 EER)
- * split system electric heat pumps with the highest efficiency CEE tier as of Jan. 1, 2009 (8.5 HSPF; 12.5 EER; 15 SEER)
- * packaged electric heat pumps with the highest efficiency CEE tier as of Jan. 1, 2009 (8.0 HSPF; 12.0 EER; 14 SEER)

Advanced main air circulating fan (\$50 tax credit)

- * a fan used in a natural gas, propane, or oil furnace with an annual electricity use of no more than 2% of the total energy use of the furnace

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