

Tax Credits and Utility Rebates for Residential Customers

Several Federal and State tax credits and utility rebates are in place that residential homeowners in Massachusetts, New Hampshire and New York can take advantage of when replacing their heating, water heating and cooling systems. The following report details what the various Federal and State tax credits and utility rebates are, the types of equipment the credits and rebates apply to, and some of the general guidelines residential homeowners must follow to be eligible. Note that the credits and rebates detailed only apply to heating, water heating and cooling systems. Numerous other credits and rebates are available for lighting, dishwashers, windows, home insulation and other products but are not listed here.

| Federal, State & Utility Rebates for Heating, Water Heating and Cooling | | | | | |
|--|--|---|---|--|--|
| Product Type | Energy Efficiency Specification | Maximum Credit / Rebate Available | | | |
| | | Federal Tax Credit | NY State Tax Credit | MA State Tax Credit | KED-NE Rebate |
| Steam Boilers* | AFUE: 82% or greater | \$0 | \$500 | \$600 | \$200 |
| Forced Hot Water Boilers* | AFUE: 85% or greater | \$0 | \$500 | \$600 | \$500 |
| Furnaces | AFUE: 90% to 94% | \$0 | \$500 | \$600 | \$150 |
| | AFUE: 95% or greater | \$150 | \$500 | \$600 | \$150 |
| Furnaces with ECM Motor | AFUE: < 90% | \$50 | \$0 | \$600 | \$0 |
| | AFUE: 90% to 91% | \$50 | \$500 | \$600 | \$0 |
| | AFUE: 92% to 94% | \$50 | \$500 | \$600 | \$400 |
| | AFUE: 95% or greater | \$200 | \$500 | \$600 | \$400 |
| Water Heaters | Indirect Water Heaters | \$0 | \$0 | \$600 | \$300 |
| | Energy Factor of 0.80 & 0.81 | \$300 | \$0 | \$600 | \$0 |
| | Energy Factor of 0.82 or greater | \$300 | \$0 | \$600 | \$300 |
| Central A/C | EER 12.5/SEER 15 Split Systems EER 12/SEER 14 Package systems | \$300 | \$0 | \$600 | \$0 |
| Credit/Rebate Calculation | | Full Value (Max total Fed credit of \$500) | 50% of the equipment purchase price, up to the listed Max | The lesser of 30% of the net cost (purchase price & installation) up to the listed Max | Full Value (Must be a KED MA or NH heating customer to be eligible) |
| Eligibility Dates | | 1/1/06 to 12/31/07 | 7/1/06 to 6/30/07 | 11/1/05 to 3/31/06 | 5/1/06 to 4/30/07 (Subject to Change) |
| *GAMA does not currently list any residential-sized boiler as meeting the 95% AFUE requirement | | | | | |

I. Federal Tax Credits

The 2005 Energy Policy Act, also known as EPACT, includes several Federal tax credits residential customers can receive by installing certain measures in their home. To be eligible, all products must be installed new, used in the taxpayer's principal residence and expected to remain in use at least five years. See below for more details.

When do the Federal credits go into effect and later expire?

In order to be eligible, qualifying measures must be installed between January 1, 2006 and December 31, 2007

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

A tax credit provides more tax relief than a tax deduction. A tax credit directly reduces the amount of income tax you have to pay, whereas a tax deduction only reduces the amount of income subject to tax.

Is there a limit to how many tax credits I can receive?

Yes. The maximum total combined credit a homeowner can receive for all measures installed is \$500, between tax years 2006 and 2007. For example, if a customer receives a \$300 tax credit in 2006 from EPACT, the maximum tax credit a customer could claim under EPACT in 2007 is \$200.

How do I apply?

To apply, you will need to have all purchase and installation receipts for the energy efficiency measures installed as well as any labels or related items that document the efficiency specifications of the product/measure. The Internal Revenue Service (IRS) is developing the final rules and forms to use for application.

If a product has the Energy Star label, does that mean it qualifies?

No. Not all Energy Star labeled products qualify for the EPACT tax incentives. These tax incentives are available for only a number of products at the highest efficiency levels, many higher than the Energy Star standards, and typically cost much more than standard efficiency products.

I co-own my property. Are we both eligible for the EPACT tax credits?

The tax credits can be split among co-owners of a principal residence, but the total credit for a residence can't exceed \$500.

I use my property as a business as well. Am I still eligible for the EPACT tax credits?

If less than 80% of the residence is used for non-business purposes, then only a pro-rata share of the costs are eligible for credits.

II. New York State Tax Credits

In New York, an individual taxpayer may claim a credit against the state's personal income tax for the purchase and installation of new, Energy Star rated, heating system. The state provisions are effective for tax years 2006 and 2007. See below for more details.

What measures are eligible?

The NY State tax credit applies only to heating systems that qualifying for the EPA's Energy Star rating system. Water heating and cooling systems are not eligible for the NY State tax credits.

What is the available tax credit?

The amount of the credit is equal to **50% of the cost of the qualifying equipment, with a maximum available credit of \$500**. If the principle residence is shared by two or more taxpayers, the amount of the credit allowable will be prorated according to the percentage of the total expenditure for the equipment incurred by each taxpayer.

When do the New York State tax credits go into effect and later expire?

In order to be eligible, the purchase and installation of any measures must be performed on or after July 1, 2006 but not later than June 30, 2007.

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

A tax credit provides more tax relief than a tax deduction. A tax credit directly reduces the amount of income tax you have to pay, whereas a tax deduction only reduces the amount of income subject to tax.

How do I apply?

To apply, you will need to have all purchase receipts for the energy efficient measures. The final forms to use for application are still being developed by the New York Department of Taxation & Finance.

Can the credit be carried over to the next tax year?

The credit may be taken in taxable year 2006 or 2007, regardless of the exact date on which purchases were made. Note that the amount of the credit claimed may not exceed a taxpayer's personal income tax liability for that year and cannot exceed the lifetime credit value.

Where can I get more information about the New York State Tax Credits?

For more details, please see New York State Assembly Bill A11331, Part C, "Home Heating System Credit" from the New York Department of Taxation & Finance or call (518) 455-4218.

III. Massachusetts State Tax Credits

In Massachusetts, an individual taxpayer may claim a credit against the state's personal income tax for the purchase of qualifying energy efficient heating items. The state provisions are effective for tax years 2005 and 2006. See below for more details.

What measures are eligible?

A residential homeowner is eligible for a one-time credit against the state's personal income tax for 'Energy Efficient Heating Items' defined as, but not limited to:

- Fuel efficient furnaces; boilers; oil, gas, propane, or electric heating systems
- Advanced programmable thermostats
- Solar domestic hot water systems
- Wall, ceiling or pipe insulation
- New window installation
- Materials for sealing of a duct, attic, basement, or rim joint

What is the Credit?

The maximum total credit that may be claimed by a taxpayer is the **lesser of 30% of the net expenditure** (purchase price plus installation costs) **for the qualifying products or \$600 for a single-unit dwelling, or \$1,000 for a multi-unit dwelling**. Joint owners of a residential property may share any credit available to the property in the same proportion as their ownership interests, but the total credit cannot exceed \$600 for a single-unit dwelling or \$1,000 for a multi-unit dwelling.

When do the Massachusetts State tax credits go into effect and later expire?

In order to be eligible, the purchase of any measures must be made on or after November 1, 2005 but not later than March 31, 2006. The credit is still allowable if a taxpayer pays for the item(s) on or before March 31, 2006, but the installation takes place after March 31, 2006.

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

A tax credit provides more tax relief than a tax deduction. A tax credit directly reduces the amount of income tax you have to pay, whereas a tax deduction only reduces the amount of income subject to tax.

How do I apply?

To apply, you will need to have all purchase receipts for the energy efficient measures. The final forms to use for application are being developed by the Massachusetts Department of Revenue.

Can I still receive a KED utility rebate for these installed measures too?

Yes. You may still receive a utility rebate for any of the measures where one is available. HOWEVER, you will have to deduct the value of the rebate from the total purchase price and installation cost when calculating the credit.

Can the credit be carried over to the next tax year?

The credit may be taken in taxable year 2005 or 2006, regardless of the exact date on which purchases were made. Note that the amount of the credit claimed may not exceed a taxpayer's personal income tax liability for that year.

Where can I get more information about the Massachusetts State Tax Credits?

For more details, please see TIR 05-18: "An Act Relative to Heating Energy Assistance and Tax Relief" from the Massachusetts Department of Revenue or call 1-800-392-6089.

KeySpan Energy Delivery, New England – Utility Rebates

Residential natural gas heating customers of KeySpan Energy Delivery in Massachusetts and New Hampshire can become eligible for a number of customer rebates directly back from KeySpan for installing certain energy efficiency measures. See below for more details.

What measures are eligible?

A residential natural gas heating customer, in KeySpan Energy Delivery's Massachusetts or New Hampshire service territory is eligible for a one-time rebate for energy efficiency items including:

- Energy Star rated furnaces and boilers
- Energy Star clock thermostats
- Energy Star windows
- Indirect water heaters
- Ceiling, wall, floor and/or and pipe insulation
- Tankless Water Heaters with an Energy Factor of .82 or greater

KeySpan Energy Delivery heating customers in Massachusetts and New Hampshire also have the ability to receive a free energy audit and there are also special programs for Low Income households.

What are the available rebate amounts?

| KED-NE, Heating & Water Heating Utility Rebates | | |
|--|----------------------------------|-------|
| Steam Boilers | AFUE: 82% or greater | \$200 |
| Forced Hot Water Boilers | AFUE: 85% or greater | \$500 |
| Furnaces | AFUE: 90% or greater | \$150 |
| Furnaces with ECM Motor | AFUE: 92% or greater | \$400 |
| Water Heaters | Indirect Water Heater | \$300 |
| | Energy Factor of 0.82 or greater | \$300 |

When do the KeySpan Energy Delivery rebate values go into effect and later expire?

The KeySpan Energy Delivery rebates in New England are as of May 2006 and expire April 30, 2007, however all rebate values are subject to change without notice.

Where can I get more information about the KeySpan Energy Delivery rebates?

For more details, visit www.keyspanenergy.com or call 1-800-292-2032.