

Tax Credits for Home Builders

Federal Tax Credits for Builders of Energy Efficient Homes

UPDATED January 2016

The federal Energy Policy Act of 2005 established tax credits of up to \$2,000 for builders of new energy-efficient homes. This tax credit has been extended many times and is now set to expire at the end of 2016.

To be eligible for the tax credit, a home must:

- Be located in the United States,
- Be substantially completed before December 31, 2016,
- Meet the energy efficiency requirements outlined in the statute, and
- Be acquired from the eligible contractor after December 31, 2014 and before January 1, 2017, for use as a residence.

Energy Efficiency Requirements

Home builders are eligible for a \$2,000 tax credit for a new energy efficient home that achieves 50% energy savings for heating and cooling over the 2006 International Energy Conservation Code (IECC) and supplements. At least 1/5 of the energy savings has to come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards and meeting the same energy efficiency requirements.

There is also a \$1,000 tax credit to the producer of a new manufactured home conforming to Federal Manufactured Home Construction and Safety Standards and achieving 30% energy savings for heating and cooling over the 2006 IECC and supplements (at least 1/3 of the savings had to come from building envelope improvements). Alternatively, a manufactured home also qualifies for a \$1,000 tax credit if it meets ENERGY STAR [requirements](#).

Please note that, with the exception of the tax credit for an ENERGY STAR certified manufactured home, these tax credits are not directly linked to ENERGY STAR certification. Therefore, a builder of an ENERGY STAR certified home may be eligible for a tax credit but it is not guaranteed.

Certification

The Internal Revenue Service (IRS) has issued guidance to provide information about the certification process that a builder must complete to qualify for the credit. The guidance also provides for a public list of software programs that may be used in calculating energy consumption for purposes of obtaining a certification.

[IRS Notice 2006-27](#) provides guidance for the credit for building energy-efficient homes other than manufactured homes. [IRS Notice 2006-28](#) provides guidance for the credit for building energy-efficient manufactured homes. For tax filing, use [IRS Form 8908: Energy Efficient Home Credit](#).

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