

**2009 RECOVERY ACT—ENERGY Tax Credit Alert**  
for Real Estate Practitioners  
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## **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 Changes to Residential Energy Efficient Property Credit**

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On February 17, 2009, President Obama signed into law H.R. 1,<sup>1</sup> the American Recovery and Reinvestment Act of 2009, of which Title 1 Division B is the American Recovery and Reinvestment Tax Act of 2009 (the "2009 Recovery Act"). While generally aimed at creating jobs and providing economic relief to stimulate the economy, the 2009 Recovery Act is a combination of government spending programs and tax cuts. Some of the significant changes affecting real estate include **changes to the residential energy efficient property credit.**

Prior to the 2009 Recovery Act, a 10% tax credit was available for the purchase of qualified energy efficiency improvements to a taxpayer's principal residence.<sup>2</sup> Qualified improvements included

- insulation materials,
- exterior windows and doors,
- certain roofing, as well as
- the purchase of specific energy efficient heating or cooling equipment.

This credit was available for property improvements made after December 31, 2005 and before January 1, 2008, *with a maximum \$500 credit allowable* to a taxpayer with respect to the same dwelling for all taxable years. Thus, the credit expired for calendar year 2008.

The 2009 Recovery Act reinstates the non-business energy credit of I.R.C. § 25C for expenditures made and property placed in service during 2009 or 2010.<sup>3</sup> In addition, the 2009 Recovery Act **increased the credit amount to 30% with a new maximum credit of \$1,500.**<sup>4</sup>

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<sup>1</sup> P.L. 111-5.

<sup>2</sup> I.R.C. § 25C.

<sup>3</sup> I.R.C. § 25C(g), as amended by P.L. 111-5, Sec. 302(a).

<sup>4</sup> I.R.C. § 25C(a), (b). The \$500 lifetime limit was eliminated.