

## Sales/Marketing Bulletin

Bard Manufacturing Co., Bryan, Ohio 43506. Phone: 419-636-1194 Fax: 419-636-2640



**DATE:** March 30, 2009

**TITLE:** Geothermal Heat Pump Tax Credit

**FILE:** SM09-06

**ISSUED BY:** Dick Hanna

**NOTE: This is a revision to and replaces Bulletin SM09-05 dated March 13, 2009.**

As you may be aware, the American Recovery and Revitalization Act of 2009, became law on February 17, 2009. Included were tax credits for alternative energy systems among which are geothermal heat pumps. The language of the bill establishes a one-time tax credit on residential installations for 30% of the installed costs of the system in the year it is placed in service. Units that meet the tax credit specification must have minimum efficiencies of 14.1 EER/3.3 COP for closed (ground) loop or 16.2 EER/3.6 COP for open (ground water) loop.

Eligible geothermal heat pump installations are those “placed in service” between January 1, 2009 and December 31, 2016 and must meet or exceed Energy Star requirements (minimum efficiencies shown above). Owners can file for the credit by completing the Renewable Energy Credits subsection on their tax return forms for the tax year the systems are installed.

**NOTE:** Qualifying geothermal heat pumps installed between January 1, 2008 and December 31, 2008 fall under the Emergency Stabilization Act of 2008 and are eligible for a tax credit of 30% of the installation costs up to \$2,000 maximum.

### **Important Points About Geothermal Heat Pump Tax Credits:**

1. Applies to both new and retrofit installations (all other HVAC products are retrofit only).
2. Is not limited to principal residence (all other HVAC products are principal residence only).
3. Eligible installations from January 1, 2009 to December 31, 2016 (all other HVAC products are 2009-2010 only)
4. 30% of installed system cost (all other HVAC products are 30% up to \$1,500 maximum).

### **Eligible Geothermal Heat Pump Property**

The tax credit may be claimed for spending on “qualified geothermal heat pump property” installed in connection with a new or existing dwelling unit located in the United States and used as a residence by the taxpayer. It does not have to be the primary residence.

The term “qualified heat pump property” means any equipment which –

1. Uses the ground or ground water as a thermal energy source to heat the dwelling unit or as a thermal energy sink to cool the dwelling unit, and
2. Meets the requirements of the Energy Star program which are in effect at the time that the equipment is installed.

Spending for labor costs properly allocable to the installation of the geothermal heat pump property and for any associated piping, wiring, and ducting are included.

#### **Excluded Property**

The credit cannot be claimed on spending for equipment used solely to heat a swimming pool or hot tub, or on previously used equipment.

#### **Placed in Service Requirement**

The credit can only be claimed on spending for property that is “placed in service” during the period from 2008 to 2016. In general, property is considered to be placed in service when the original installation is completed. However, if the geothermal heat pump property is part of the construction or reconstruction of a house, it is considered to be placed in service when the taxpayer takes up residence in the new or renovated house.

#### **Tax Credit Amount and Maximum Cap**

An individual can claim a tax credit equal to 30% of spending on qualified geothermal heat pump property. For property placed in service during 2008, the maximum tax credit is capped at \$2,000 (30% of the first \$6,667 in spending). For property placed in service after January 1, 2009, there is no limit on the amount of the tax credit that can be claimed. The tax credit can be used to offset both regular income taxes and alternative minimum taxes (AMT). If the tax credit exceeds the income tax liability, the remaining balance can be carried forward into future years.

#### **Claiming the Credit**

IRS Form 5695 (2008) is used to claim the Residential Energy Efficient Property Credit for 2008. Form 5695 for 2009 has not been published yet.

The tax credit is available through December 31, 2016. Consult your local tax professional for advice on taking advantage of the tax credit, as this announcement is not intended as a recommendation or endorsement of any financial strategy.

No proof of purchase will be required; however in case of an audit, owners are encouraged to keep a detailed invoice of their purchase on file. The contractor who sold and installed the system should list the purchase as a “Geothermal Heat Pump” on the invoice and that it “Exceeds requirements of Energy Star program currently in effect”.

See Manufacturer's Certification which the taxpayer must have when filing for the geothermal tax credit. The taxpayer must keep a copy of the certification statement for their records, but does not have to submit a copy with their tax return. A copy of this Manufacturer's Certification statement is available on the Bard website [www.bardhvac.com](http://www.bardhvac.com).

**Bard geothermal heat pumps that are Energy Star qualified and eligible for the tax credit:**

GSVS242-A	GV27S1-AC or AN
GSVS302-A	GV38S1-AC or AN
GSVS361-A	GV51S1-AC or AN
GSVS421-A	GV61S1-AC or AN
GSVS481-A	GV71S1-AC or AN
GSVS601-A	

In summary all Bard geothermal heat pumps meet the efficiency requirement for Energy Star and that of the tax credit. This would include the GSVS-Series single stage R-22 units and the new GV-Series 2 stage R-410A units listed above.

