

Comments re: current lack of specificity on geothermal HVAC residential tax credit information

Posted to Water Energy's website on 2/4/10

DISCLAIMER: Please note that the author of this commentary is just a regular citizen who has spent millions of ClimateMaster dollars on several years of pushing ground source heat pumps as a renewable energy system that should qualify for tax credits and is not a licensed tax accountant nor a representative of the IRS.

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From: Dan Ellis

Sent: Wednesday, February 03, 2010 12:23 PM

Subject: RE: 30% tax credit

First off, EPA Energy Star is not the IRS, so they are not an authority on tax credits. They have even called me with tax credit questions.

Second, all piping is included, as it is all necessary for the GHP system and would not otherwise be there. The only grey areas that I have heard any questions about are things "that you would need anyway." For example, the part of the electric to hook the GHP equipment and pumping, and controls for the GHP system, would be clearly allowed. But, including the main power wiring into the building would be a stretch, as that you need anyway. With ducts, the same may hold true. On a retrofit, the adapting ductwork to tie in the GHP units would be clearly part of the cost to do geothermal, but on a new construction, there have been questions as to whether the whole duct system should qualify, as you would need ducts no matter what type of HVAC. HOWEVER, those questions are just that... questions. No one has come out and provided any clear answer. Until the IRS issues written guidance that clearly exclude the ducts, they should be fair game. For a precedent, solar folks had been taking the credits to install a new roof before they put the solar panels on. Subsequently the IRS decided that the roof itself should not be included, but from what our tax council has said, a ruling such as this can only be effective after it has been published.

Therefore, it was the opinion of our Wash DC tax council that it is fine to include the entire HVAC for GHP at present until the IRS issues some kind of clear guidance that defines what is, or is not, included. After all, from loops in the ground, to the heat pumps, to the ducts and controls... all are part of delivering the geothermal heating and cooling from the earth to the occupied spaces. This is a strong position until the IRS says anything otherwise, which they have not yet.

Our DC consultants also thought it unwise to the "wake a sleeping dog" by approaching IRS and asking for detailed clarifications. They felt it best to wait for them to do it on their own. All our asking might do is speed up the process. Basically, they said living with grey is part of the tax code, and part of the law in general. If the IRS decides there is too much grey, they will ultimately issue some detailed guidelines.

On a practical note, it is not customary to detail out HVAC system pricing into exactly this or that part. Thus it would be up to the contractor as to how much was ducts of their total price.

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