



DATE: December 10, 2013

TITLE: Geothermal Heat Pump Tax Credit

FILE: SM13-03

ISSUED BY: Dick Hanna

NOTE: This is a revision to and replaces Bulletin SM12-02 dated November 12, 2012.

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. See page 3 for units that meet the tax credit specification and must have minimum efficiencies of 17.1 EER/3.6 COP for closed (ground) loop or 21.1 EER/4.1 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.

Important Points About Geothermal Heat Pump Tax Credits:

1. Applies to both new and retrofit installations
2. Is not limited to principal residence
3. Eligible installations from January 1, 2009 to December 31, 2016
4. 30% of total installed system cost of geothermal heat pump system and affiliated system components.
NOTE: this does not include the inside distribution system.

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.

Expenditures for the installation of the geothermal heat pump property including installation of the ground loop outside the home and any associated piping, wiring, and controls to interconnect the qualified geothermal property can be included. Recent clarifications issued by the IRS Notice 2013-70 explain that the distribution system for the home and back-up emergency heating or cooling systems are not eligible for the tax credit.

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. Also excluded are the inside distribution system (ducting for water-to-air and piping for water-to-water).

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 is used to claim the Residential Energy Efficient Property Credit.

The tax credit is available through December 31, 2016. Consult your local tax professional for advice on taking advantage of the tax credit and what may or may not be included as expenditures. This bulletin 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 of Geothermal Heat Pump Property Compliance 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 or www.bardgeothermal.com.

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

The Bard Geothermal Heat Pump products listed below meet or exceed the Tier 3 requirements of the Energy Star® program effective January 1, 2012 with respect to efficiency and installation type, and qualify as geothermal energy property as defined by IRS Bulletin No. 2009-19 dated May 11, 2009.

Energy Star® Tier 3 Minimum Efficiency Requirements for Geothermal Heat Pumps Effective January 1, 2012:

<u>Water-to-Air Systems</u>	<u>EER</u>	<u>COP</u>
Geothermal Closed Loop Water-to-Air	17.1	3.6
Geothermal Open Loop Water-to-Air	21.1	4.1
<u>Water-to-Water Systems</u>	<u>EER</u>	<u>COP</u>
Geothermal Closed Loop Water-to-Water	16.1	3.1
Geothermal Open Loop Water-to-Water	20.1	3.5



Series	Product Type	Product Application (1)	Model Number
Geo-Tec	Packaged	Closed Loop	GV27S_____, GV38S_____, GV51S_____, GV61S_____, GV71S_____
		Open Loop	GV27S_____, GV38S_____, GV51S_____, GV61S_____, GV71S_____
Geo-Trio	Split	Closed Loop	GTC36S_____ with GTA3600UD____, GTADP-3642-B or C, or HE37942D(175 or 210)B2505AW
		Open Loop	GTC36S_____ with GTA3600UD____, GTADP-3642-B or C, or HE37942D(175 or 210)B2505AW
		Closed Loop	GTC48S_____ with GTA4860UD____, GTADP-4860-C, or HE49948D210B2705AW
		Open Loop	GTC48S_____ with GTA4860UD____, GTADP-4860-C, or HE49948D210B2705AW
		Closed Loop	GTC60S_____ with GTA4860UD____, GTADP4860-C, or HE49948D210B2705AW
		Open Loop	GTC60S_____ with GTA4860UD____, GTADP4860-C, or HE49948D210B2705AW
Geo-Delta	Water-Water	Closed Loop	GW0361S_____, GW0361S_____, GW0481S_____ GW0601S_____
		Open Loop	GW0361S_____, GW0361S_____, GW0481S_____ GW0601S_____, GW0701S_____

(1) Closed Loop (Ground Loop)
Open Loop (Ground Water)