

American Council for an Energy-Efficient Economy

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Legislative Update on Federal Energy Efficiency Tax Incentives

Both the U.S. Senate and House of Representatives have passed bills to extend many of the Energy Efficiency Tax Incentives that expired at the end of 2007 or will expire at the end of 2008. These bills have not been adopted into law, due to disagreements on whether and how to pay for these incentives (Republicans want to add these to the deficit, arguing they are a continuation of current policies, House Democrats insist on paying for these incentives by cutting other tax breaks, Senate Democrats can go either way). Congress is meeting for a few weeks in September and then is likely to recess/adjourn for the year, so the current session is make or break for the incentives this year.

On September 16th, Senate leadership, both Democrats and Republicans, announced agreement on a bipartisan tax package that includes energy efficiency and renewable energy tax incentives, extension of expiring deductions for R&D investments and sales taxes, and adjustment of income thresholds at which the Alternative Minimum Tax (AMT) kicks in. As of this writing, neither the House leadership nor the White House have commented on this agreement.

The efficiency provisions include:

- An extension of the commercial buildings tax deduction to the end of 2013.
- An extension of the tax credit for efficient furnaces, boilers, air conditioners, water heaters and insulation and window upgrades to existing homes (covering improvements installed in 2009, but not 2008).
- A one-year extension of the new energy-efficient home tax credit, to the end of 2009.
- Three-years of manufacturer tax credits for sales of high-efficiency refrigerators, clothes washers, dishwashers, and dehumidifiers (2008-2010).
- A new tax credit for plug-in hybrid vehicles purchased starting in 2008 and extending until shortly after the number of qualifying vehicles reaches 250,000.
- A new 10% investment tax credit for combined heat and power systems (through 2016)
- An extension of fuel cell and microturbine credits to the end of 2016.
- Accelerated depreciation for smart meters and smart grid systems.
- Extension of an existing bonding program for green buildings and sustainable design, and establishment of a new energy conservation bond program that would help local and state governments to fund energy conservation efforts.

This bill would pay for these provisions by restricting several oil and gas industry tax breaks, and tightening some provisions on the sale of stocks. Key votes will likely happen over the Sept. 18-30 period. Check this webpage for regular

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Additional Activities

- **Other Potential Federal Legislation**
Although language to extend the incentives set forth in the Energy Policy Act of 2005 did not make it into the final 2007 energy bill, Congress may take up this issue again in 2008-2009.
- **Tax Incentives Awareness Project**
The Tax Incentives Assistance Project (TIAP), sponsored by a coalition of public interest nonprofit groups, government agencies, and other organizations in the energy efficiency field, is designed to give consumers and businesses information they need to make use of the federal income tax incentives for energy efficient products and technologies passed by Congress as part of the Energy Policy Act of 2005.
- **Federal Energy Policy Act of 2005**

ACEEE Technical Reports

- **Tax Incentives**
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 - Energy Policy Act of 2005

Additional Resources and Links

- Summary of Energy Efficiency Tax Incentives in the Energy Policy Act of 2005  (31 KB)
- EPAAct 2005 Light-Duty Hybrid and Diesel Vehicle Tax Credit Summary (ACEEE)
- Database of State Incentives for Renewables and Efficiency
- Tax Credits for Energy-Efficient Technologies: Spurring Adoption of Cost-Effective Innovation (ACEEE Fact Sheet)
- Tax Incentives for Advanced Energy-Efficient Technologies: Costs, Benefits, and Legislative Recommendations (ACEEE Fact Sheet)
- DOE's Tax Incentive Information

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