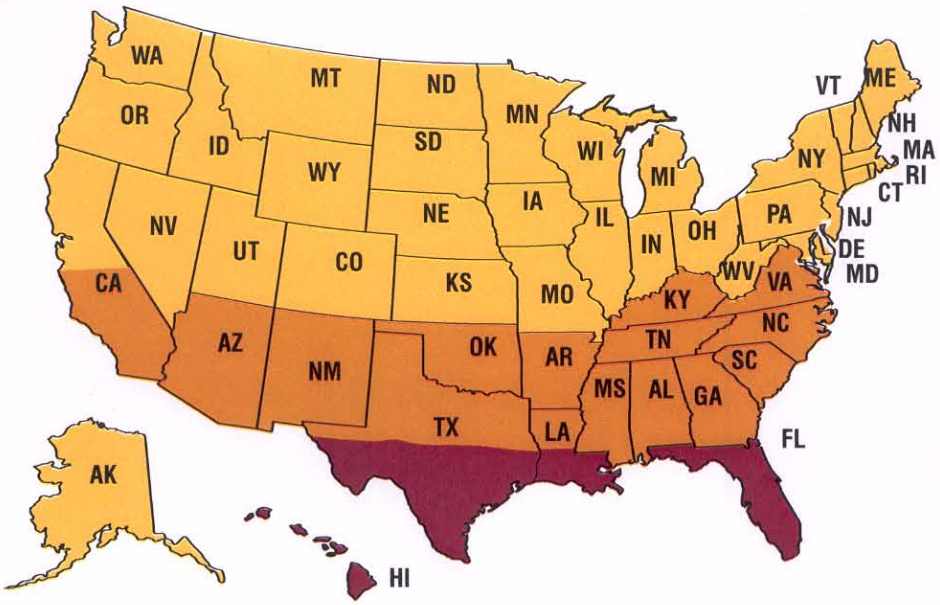
Federal Tax Credits Available for Adding Insulation to Existing Homes



Ceilings: R-49
Walls: R-21
Floors: R-30
Basement Walls: R-13

Ceilings: R-49
Walls: R-15
Floors: R-30
Basement Walls: R-13

Ceilings: R-38
Walls: R-15
Floors: R-30
Basement Walls: R-13

What is the energy efficiency tax credit worth?

Homeowners are eligible for a tax credit of up to $500 for 10% of the costs of qualified energy efficiency improvements made to their homes. So, if a homeowner spends $800 to add proper levels of insulation to their home, they would qualify for a Federal tax credit of $80.

Is there a specific time frame in which I need to make energy efficiency improvements in order to be eligible for the tax credit?

Consumers who want to take advantage of the Federal tax credits for their homes must install the products between January 1, 2006 and December 31, 2007.

How do I get a tax credit for insulation?

The tax credit for existing homes requires that the building envelope component being renovated must meet the energy efficiency minimum standards outlined in the 2001 or 2004 International Energy Conservation Code (IECC). The envelope is defined as the area along the perimeter of the home that separates the living space from the outside. This includes attics, foundation and exterior walls, basements and crawl spaces. Insulation is a key component of the home or building envelope. Other qualified envelope components include windows (limited to a maximum credit of $200), doors, skylights and air duct sealing. EPA's ENERGY STAR Home Sealing Program offers consumers advice on how to improve their building envelope. Adding fiber glass or mineral wool insulation is one of the fastest and most effective ways to save energy in your home. Insulation and home sealing can save up to 20% on energy use according to the U.S. EPA. This is an investment that keeps paying off with better comfort and energy savings for as long as you own your home.

Do I still get the tax credit if I hire a professional contractor to add insulation?

The IRS guidance states that only the cost of the insulation products is eligible for the tax credit, and installation fees are not eligible. That said, there are many good reasons to hire a contractor, such as for installation of loose-fill insulation, to ensure proper installation and if you do not have the skills or interest to do the job yourself. Make sure the contractor gives you an itemized receipt that breaks out the cost of the insulation from the labor charge.

What paperwork will I need to produce at tax time in order to be eligible for the tax credit?

Check with the IRS for complete information. Generally, an itemized retail or contractor receipt showing the amount spent on insulation materials between January 1, 2006 and December 31, 2007, along with a certification document from the insulation manufacturer should meet the requirements.

Do you want to lower your energy usage and increase comfort? Log on to SimplyInsulate.com for information on insulation basics, installation tips, federal, state & local energy efficiency financial incentives and more!

Insulation Facts

How much insulation do I need in my home to meet the levels required for the Tax Credit?

The IRS guidance references the insulation levels of the 2001 and 2004 International Energy Conservation Code (IECC). These model codes are fairly complex sets of guidelines that are designed to tell builders how much insulation to put in a home based on a number of factors. For simplicity, NAIMA has taken these levels of insulation and combined them with recommended levels of insulation from the US Department of Energy. See the map for state by state R-value recommendations. These levels should meet the criteria for the Federal tax credit. For most homeowners, this will mean adding between R-19 and R-30 insulation in their attic.

Which areas of my home should I insulate to be eligible for the tax credit?

The tax credit applies only to improvements made to the building envelope since they affect energy use. The envelope is defined as the area along the perimeter of the home that separates the living space from the outside. This includes attics, foundation and exterior walls, basements and crawl spaces.

For More Information, visit www.SimplyInsulate.com

NAIMA does not state or imply that each and every insulation installation job will qualify for a tax credit. NAIMA does not warrant or guarantee a tax benefit will be awarded for each and every addition of insulation. Eligibility may vary by jurisdiction. Please carefully consult the Internal Revenue Service (www.IRS.gov) guidelines on how to qualify for the energy efficiency tax credit. NAIMA does not provide professional tax counseling.

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