

#### Overview

The IRS has extended the \$2,000 tax credit for new qualifying energy efficient homes through December 31, 2021. The credit is \$2,000 for **each** qualifying unit sold or leased prior to the deadline. Owners who have not claimed allowable credits for prior years can file amended returns/administrative adjustment requests for taxable years still open under the statute of limitations to claim refunds.

#### Defining Qualifying Property

Eligible property for the tax credit must be a **dwelling unit** located in the U.S. that is **acquired** from an **eligible contractor** for use as a residence that meets the **energy savings requirements** of §45L(c)(1).

A **dwelling unit** is a single unit providing complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation, within a building that is not more than three stories above grade in height.

**Acquired** means that the eligible contractor sells or leases the qualified energy efficient home to another person for use as a residence, and the eligible contractor does not retain the property for use as their residence.

An **eligible contractor** is the person that constructed a qualified energy efficient home. A person must own and have a basis in the qualified energy efficient home during its construction to qualify as an eligible contractor with respect to the home.

For example, if a person hires a third-party contractor to construct a home, and owns and has basis in the home during its construction, the person that hires the third-party contractor is the eligible contractor and the third-party contractor is not an eligible contractor.

To meet the **energy saving requirements** of §45L(c)(1), a dwelling unit must be certified to provide a level of heating and cooling energy consumption that is at least 50% below that of a reference dwelling unit, and to have building envelop component improvements that provide for a level of heating and cooling energy consumption that is at least 10% below that of a reference dwelling unit.

# §45L New Energy Efficient Home Credit

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### Other Considerations

The term “construction” includes substantial reconstruction and rehabilitation. Substantial reconstruction and rehabilitation are not defined under the statute, but under §47(c)(1)(B)(i) & (ii), a building is treated as having been substantially rehabilitated only if the rehabilitation expenditures incurred during a 24- or 60- month period selected by the taxpayer, and ending with or within the taxable year, exceed the greater of the adjusted basis of the building as of the beginning of the first day of the 24- or 60-month period or \$5,000.

Each dwelling unit must be certified by an eligible certifier. An eligible certifier is a person that is not related to the eligible contractor and has been authorized by RESNET to use their approved energy performance measurement methods.

If an eligible contractor constructs at least 85 homes during a twelve-month period or builds subdivisions with the same floor plan using the same subcontractors, the eligible certifier may use a sampling protocol in lieu of inspecting all the dwelling units.

The basis of each dwelling unit must be reduced by the amount of the credit claimed.

In these uncertain times, individuals and businesses need to retain cash, whether to offset lower revenues, negative cash flows, or to capitalize on buying/investing opportunities.

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