



Tankless Water Heater Tax Credit FAQs

What are the requirements of the Energy Tax Incentives Act of 2005?

Consumers can get a one-time tax credit up to a total of \$500 for installing efficient new windows, insulation, doors, roofs, and heating and cooling equipment in your home. All the improvements must be installed in or on the taxpayer's principal residence in the United States.

When is the Energy Tax Incentives Act of 2005 Effective?

The credit applies to qualified energy efficiency improvements and qualified energy property, including tankless water heaters such as those manufactured by Rinnai, central air conditioners, exterior windows, insulation, exterior doors, pigmented metal roofs and furnaces with efficient air-circulating fans, which are "placed in service" from January 1, 2006, through December 31, 2007. The IRS defines "placed in service" as when the products or materials are ready and available for use this would generally refer to the installation, not the purchase.

What is a tax credit?

You don't receive an income tax credit when you buy the product, like an instant rebate. You claim the credit on your federal income tax form at the end of the year. The credit then increases the tax refund you receive or decreases the amount of tax you have to pay.

What is the difference between tax credits and tax deductions?

In general, a tax credit is more valuable than a similar tax deduction. A tax credit reduces the tax you pay, dollar-for-dollar. Tax deductions such as those for home mortgages and charitable giving, for example lower your taxable income. If you are in the highest 30 percent tax bracket, your income tax is reduced by 30 percent of the value of a tax deduction. But, a tax credit reduces your federal income tax by 100 percent of the amount of the credit.

How much does a Rinnai tankless water heater cost?

Depending on your home's needs, an installer can determine which model Rinnai tankless water heater would be the best fit. Depending upon the size model, the cost of Rinnai tankless water heaters range from \$600, \$900 or \$1,300 plus installation and accessories.

How much is the tankless water heater tax credit?

According to the Energy Tax Incentives Act of 2005, consumers can receive a one-time tax credit of up to \$300 toward the full-price purchase of a qualifying energy-efficient Rinnai tankless water heater.

How do I obtain the tax credit claim forms?

Follow the published IRS guidelines. At the least, you will need to keep receipts proving that you purchased the improvements. Consult a tax professional to determine what forms you will need to complete to receive your tax credit.

For more information on the Energy Tax Incentives Act of 2005, please visit www.energytaxincentives.org and consult your tax professional.