

When Charlie McCrudden Talks Contractors Listen

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Yesterday, the House Ways and Means Committee approved by a vote of 24-13 a \$275 billion tax bill that contains several significant benefits to the HVACR industry and its small businesses. The American Economic Recovery and Reinvestment Plan modifies and expands the tax code provisions granting incentives for homeowners that make high efficiency improvements, and commercial building owners that install geothermal heat pump systems.

Under current law, homeowners can claim up to \$500 in lifetime cumulative credits for installing qualified appliances, such as furnaces, air conditioners, heat pumps, hot water heaters, and more. The credits are limited by appliance; for example a 95% AFUE gas, oil, or propane furnace or boiler was eligible for only \$150 in credits, and a 15 SEER air conditioner was worth \$300.

The bill that passed in the Ways and Means Committee would **remove the lifetime cap and allow homeowners to claim up to \$1500 in credits for the tax years 2009 and 2010**. Also, the per appliance limits are removed, meaning that a homeowner could claim all \$1500 for a new high efficiency furnace, or all \$1500 for a new high efficiency air conditioner or heat pump.

Current law allows taxpayers (or corporation) to claim 30% of the costs, up to \$2,000, for the installation of a geothermal system. The bill approved today **would remove the \$2,000 cap and allow the taxpayer to claim the full 30% in tax credits for installing a geothermal system**.

Other important small business incentives approved as part of this tax stimulus bill include: an extension of the bonus depreciation and expanded expensing allowances that expired at the end of 2008; a new 5 year carryback of net operating losses; and a repeal of the pending 3% withholding provisions on all government contracts.

The next step is for the full House of Representatives to vote on the bill, expected to begin in the middle of next week. **Watch for an alert next week on how you send a message to your Representative to support the passage of these important tax incentives.**

The Senate is expected to debate a similar measure in the near future. President Obama would like to sign the stimulus package into law by mid-February.

If you have any questions, please contact me at charlie.mccrudden@acca.org.

Regards,

Charlie McCrudden

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