

Federal Tax Credit FAQ's

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 you have to pay.

What is the difference between a Tax Credit and a Tax Deduction?

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 – lower your taxable income. If you are in the highest 35-percent tax bracket, the income tax you pay is reduced by 35 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.

What is different about the tax credits modified under The American Recovery and Reinvestment Act of 2009?

- The tax credits previously effective for 2009 were extended through 2010.
- The total tax credit was increased from 10% to 30%
- The tax credits that were for a specific dollar amount (ex. \$300 for qualifying residential water heaters), were modified to 30% of the full purchase and installation price.
- The maximum tax credit amount a homeowner can receive for all qualifying home improvements has been raised from \$500 to \$1500 over the lifetime of the credit (2009-2010). However, some improvements such as geothermal heat pumps and solar panels are not subject to the \$1,500 maximum.

When is the tax credit available?

The home improvement tax credits apply to improvements "placed in service" between January 1, 2009 and December 31, 2010. 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. Therefore, Rinnai tankless water heaters installed in 2008 are not eligible for the tax credit.

I am currently building a home; do I qualify for the tax credit?

The tax credit for energy efficient home improvements is ONLY available for existing homes.

If you are building a new home or are a contractor, please visit www.energystar.gov to find out which tax credits may be available to you.

What are the specifications for energy-efficient water heaters under The American Recovery and Reinvestment Act of 2009?

Whole-home gas tankless water heaters must have an energy factor (EF) of at least 0.82 or greater, must be "placed in service" between January 1, 2009 and December 31, 2010, and must be installed in or on the taxpayer's principal residence in the United States.

For information on specifications for other energy-efficient home improvements, please visit www.energystar.gov.

How much is the tax credit for a Rinnai tankless water heater?

According to The American Recovery and Reinvestment Act of 2009, homeowners are eligible for a tax credit equal to 30% of the full purchase and installation price of a qualifying Rinnai tankless water heater up to a maximum of \$1500.

The maximum amount that a taxpayer may claim for all qualifying energy efficient home improvements including the purchase and installation of a Rinnai tankless water heater is \$1,500 over the lifetime of the credit (2009 & 2010).

How do I get my tax credit?

You will need to file [IRS Form 5695](http://www.irs.gov/efile) with your 2009-2010 taxes. In addition, please keep a copy of your proof of purchase and a copy of the Rinnai Manufacturer's Certification Statement. Please consult a tax professional for more information.

Where can I find a Rinnai tankless water heater?

Visit Rinnai's website at www.rinnai.us and click on "Find a Dealer" to locate a Rinnai tankless water heater dealer near you.