

# Remodeling

hanley ▲ wood

THE INDUSTRY SOURCE FOR  
OFFICIAL PUBLICATION

## STIMULUS

# A TO Z

OPEN  
HERE

**Your Complete  
Guide to the  
Recovery Act**

PAGE 20

# Glazed and Confused

BY JIM CORY

The way that door and window products qualify for tax credits has changed. Here's what you need to know.

**J**ust how much energy do “energy-efficient” doors and windows save? Claims vary. David Tyson, of David Tyson Remodeler, in Charlotte, N.C., who recently had a blower door test conducted in his own house, says that sealing leaks with caulk or weatherstripping is the first step. Windows may come later. Everything depends on the house, and every house is different, says Darren Lombardo, owner of Home Energy Solutions, a Maryland energy audit company that also sells home improvement products.

According to the U.S. Department of Energy (DOE), heat loss through windows can

account for anywhere from 10% to 25% of a homeowners' heating bill. In climates where air conditioning is in steady use, the DOE says that energy-efficient windows can reduce electricity consumption by 10% to 15%.

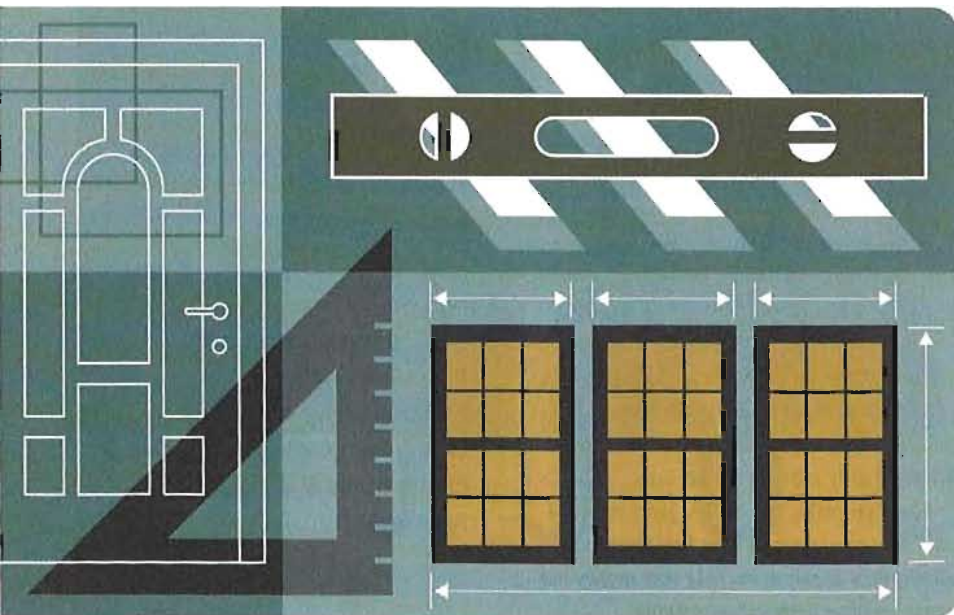
But say the house is an obvious candidate for new windows and doors. What exactly does “energy efficient” mean?

Before the ARRA of 2009 was passed, “energy efficient” meant Energy Star-qualified. That qualification is and was based on ratings certified by the National Fenestration Rating Council. NFRC's ratings take into account some or all of five criteria: U-factor, solar heat gain coefficient, visible light transmittance, air leakage, and condensation resistance.

In 2006 and 2007, “Energy Star-qualified” meant a window was eligible for the \$200 federal tax credit available at the time. Many windows qualified. According to the DOE, Energy Star-qualified windows have a 53% share of market. One reason is that Energy Star takes a flexible approach: It qualifies windows by matching NFRC ratings with one of four specified climate zones. (See the window selection tool at [www.efficientwindows.org](http://www.efficientwindows.org).)

But to be “energy efficient” enough to qualify for the federal tax credit under the ARRA, climate zones are beside the point and only the U-factor and solar heat gain coefficient matter:

■ **U-factor** measures resistance to heat flow on a 0 to 1.2 scale. The lower the rating, the greater the resistance. To qualify for tax cred-



its, a window or door's U-factor must be 0.30 or less, regardless of climate zone.

■ **Solar heat gain coefficient** measures how well the window blocks heat gain from the sun. SHGC is measured as a number between 0 and 1. The closer to zero, the more efficient the window. To qualify for credits, the SHGC of the unit must be 0.30 or less.

### WINS AND LOSSES

The "0.30 / 0.30" standard is stringent. So stringent, in fact, that skylights, which make up between 2% to 3% of the total fenestration market, have been all but eliminated for tax credits.

As for storm doors and storm windows, some manufacturers assume their products qualify because they did so under the 2006/2007 act. Others are more cautious. "We don't know till the IRS issues specific guidance," says Mark Mikkelsen, manager of Code and Regulatory Affairs for Andersen. A final IRS ruling is expected later this year.

And when it comes to windows, Nils Petermann of the Efficient Windows Collaborative, in Washington, D.C., estimates that "between 15% to 20% of available product types" qualify for tax credits using 0.30 / 0.30. He also notes that "that's changing quickly," as quickly as manufacturers can upgrade glass packages or product design. Low-price leader Window World, for instance, now offers a \$278 product eligible for tax credits.

For contractors, the low cost of a window job relative to more expensive renovations means that tax credits are a powerful closing tool. "If it's a \$5,000 deal and they're getting \$1,500 back, that could swing it one way or another," says

Maurice Forde, owner of Forde Windows & Remodeling, in Northbrook, Ill. Not to qualify, says Brien Murphy, owner of EZ Energy Exteriors, in Pittsburgh, puts companies at a "horrible disadvantage."

### ALL CLEAR

To ensure that the door or window you are ordering qualifies, check for the NFRC label or check the NFRC's directory of certified products at [www.nfrc.org](http://www.nfrc.org).

Another place to look is your door or window supplier's website. Many provide rating information for individual products.

Some, such as Ohio door maker ProVia Door, feature downloadable NFRC labels.

When the homeowner goes to file IRS form 5695, they will need to submit that label. Your supplier may also offer a letter certifying that the windows or doors qualify for tax credits under the ARRA. Those letters are recommended but are not required by the IRS.

The tax credit is applied to the amount of the sale minus installation cost, so clients need to know that installation cost. Some window replacement companies already

post those costs on their websites. For example, Hanson Windows & Siding, in Madison Heights, Mich., states on its site that "16% of the contract price of Hanson's installation jobs is typically allocated to installation labor." So for a \$10,000 job, the tax credit would be applied to \$8,400, and result in a \$1,500 credit.

Not all purchasers may qualify for either the federal or state credits, so include a disclaimer in your contract advising clients to consult with a tax adviser when preparing their 2009 or 2010 taxes. —*Jim Cory is the editor of REPLACEMENT CONTRACTOR, a sister publication of REMODELING.*

### BOTTOM LINE

The ARRA provides incentives for energy-efficient investment in residential buildings by expanding the 2005 tax credits for doors, windows, and other improvements to the primary dwelling from 10% to 30% of the cost of the product, raising the tax credit limit on those improvements from \$500 to \$1,500, and extending those credits through the end of 2010.

## Local Look

### STATES WEIGH IN

Some states and local utilities offer incentives to homeowners for purchasing energy-efficient weatherization products, including replacement windows. (To see which programs are offered, and whether or not windows qualify, go to [www.dsire.org](http://www.dsire.org).)

**Delaware:** "Every state has something, but it may differ slightly based on economics, location, and availability," says Charley Roberson, energy program planner for the Delaware Energy Office. This year the state launched the Delaware Energy Answers Home Performance Program, a pilot intended to become permanent. It enables participating contractors to offer a 20% refund up to \$750 for installing energy-efficient upgrades, including doors and windows. Roberson has 47 names on the waiting list to apply. Approval requires Building Performance Institute certification and a five-day course of classroom and field training.

**Pennsylvania:** Residents can qualify for low loan rates and tax credits of either \$250 or \$500 against the purchase of Energy Star-qualified windows under the Keystone HELP Energy Efficiency Loan and Rebate Program, operated by the Pennsylvania Department of Environmental Protection. It also requires contractor approval. Pennsylvania contractors are reviewed for financial and ethical stability and undergo a one-day training course, Home Performance 101: The House as a System. To qualify for the \$250 rebate, windows must be Energy Star-rated. Those exceeding Energy Star standards are eligible for the \$500 credit.

Steve Rennekamp, owner of Energy Swing Windows, in Pittsburgh, found out about the program in April and intends for his company to become a certified contractor this year. Energy Swing would qualify customers for the \$500 rebate. "If you meet 0.30 / 0.30, you'll be eligible for \$500," Rennekamp says.

**Montana:** Under a 2007 annotation to the state tax code, Montana residents can claim a credit against state taxes of \$500 for "a capital investment in the physical attributes of the building," which would, AA Craftsman, a remodeling company in Bozeman points out on its website, include replacement windows. What makes Montana's program slightly different is that two or more people in a household may qualify for the credit, so, for instance, a married couple who jointly own their home could claim a credit of \$500 each. —*J.C.*