



# Tax Credits for Replacing Windows, Doors, and Skylights

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If money seems to be escaping through drafty windows, doors, and skylights, this federal tax credit might make energy-efficient replacements more affordable.

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Does it feel like money is escaping through your home's drafty windows, doors, and skylights? You might be able to keep at least some of that cash in your pocket by taking advantage of federal energy tax credits for retrofitting your house with qualified energy-efficient replacements. You can claim a tax credit of up to \$1,500 for upgrading the windows, exterior doors, and skylights in your primary residence during 2009 and 2010.

The credit is based on 30% of the cost of materials, so a \$5,000 purchase would max it out. But a tax credit alone isn't reason enough to start calling contractors. Do a little homework first. The true value of replacing aging windows, doors, and skylights isn't always an open-and-shut case.

## **Follow the 15-year rule for windows**

A good rule of thumb for window replacement: Don't bother if they're less than 15 years old, says Jim Rooney, a home inspector in Annapolis, Md. The savings on your energy bills likely will be negligible since window technology hasn't changed that radically and the integrity of your windows should still be intact. Shoddy installation or poor manufacturing may call for exceptions to the 15-year rule. Windows that are 20, 30, or more years old

are prime candidates for replacement.

Most of your focus should be on windows, since they're more numerous, but skylights are notorious for energy loss too, not to mention water leaks.

Exterior doors tend to outlast windows, so keep them unless the upgrade is purely for aesthetic reasons. Besides, weather stripping and snug sweeps can boost the energy efficiency of exterior doors for a whole lot less money.

### **Adding up the costs-and savings**

With windows, doors, and skylights, you get what you pay for. Expect to shell out between \$500 and \$1,000 per window including installation, or about \$10,000 total for a moderately sized house of about 2,000 square feet. New energy-credit-qualified doors and skylights are also in the \$500 to \$1,000 range, including installation.

Tom Herron, of the National Fenestration Rating Council (<http://www.nfrc.org>), says products on the higher end of the cost scale are usually better constructed and more energy efficient. NFRC is a non-profit organization that administers the rating and labeling system for the energy performance of windows, doors, and skylights.

It could take years to recoup the upfront costs, but you should see an immediate reduction in your energy bills. In general, you'll save \$126 to \$465 a year if single-pane windows in a 2,000 square foot house are replaced with tax-credit-eligible windows, according to the Efficient Windows Collaborative, a trade group. That's 15% to 40% off the typical energy bill.

### **Do my replacements qualify?**

A label alone doesn't guarantee your new windows, doors, and skylights qualify for the energy tax credit, but it does provide critical information related to eligibility. To qualify, windows, doors, and skylights must have a U-factor (<http://www.efficientwindows.org/ufactor.cfm>) of 0.30 or less and a Solar Heat Gain Coefficient ([http://www.energycodes.gov/support/shgc\\_faq.stm](http://www.energycodes.gov/support/shgc_faq.stm)) (SHGC) of 0.30 or less. The U-factor measures how well a product prevents heat from escaping, and the SHGC gauges how well a product blocks heat from the sun. Labels also carry information on light transmission, air leakage, and condensation resistance.

Herron, of the NFRC, says about 80% to 85% of the manufacturers in North America provide NFRC labels. All Energy Star qualified windows carry an NFRC label (<http://www.nfrc.org/Label.aspx>), according to Energy Star, a joint program of the U.S. Department of Energy and the U.S. Environmental Protection Agency that promotes energy-efficient products and practices.

Resist the urge to trim costs by purchasing cheaper windows, doors, and skylights with poor U-factor and SHGC ratings. Not only will you miss out on the tax credit, energy bills won't come down much.

### **Taking advantage of the tax credit**

A credit is especially valuable because it directly reduces the amount of tax owed, as opposed to a deduction, which lowers the amount of taxable income. To be eligible for the full credit you must owe more in federal taxes than you're trying to claim. Use IRS Form 5695 to take advantage of the credit, which is cumulative for 2009 and 2010 only. You can't claim \$1,500 for each tax year, but you can spread the \$1,500 over the two-year period.

Uncle Sam may want proof that your new windows, doors, and skylights meet energy-efficiency standards, so be sure to save receipts, product stickers, and certification statements. The latter can often be found on packaging or manufacturers' web sites. As for receipts, ask contractors to itemize expenses. Installation costs aren't eligible for the credit; only materials are.

Keep in mind that a variety of energy-efficiency improvements to your existing home, including insulation, roofs, and HVAC, count toward the credit limit. You can't claim separate \$1,500 credits for each upgrade, nor can you claim the credit for a newly built home. Matt Golden, president and founder of San Francisco-based Sustainable Spaces (<http://www.sustainablespaces.com>), says homeowners can often lower energy costs for a lot less, and still get the tax credit, by insulating attics (<http://www.houselogic.com/articles/save-money-with-insulation-upgrade/>) instead.

*This article provides general information about tax laws and consequences, but is not intended to be relied upon by readers as tax or legal advice applicable to particular transactions or circumstances. Readers should consult a tax professional for such advice, and are reminded that tax laws*

*may vary by jurisdiction.*

Gil Rudawsky has been covering business and consumer issues as a reporter and an editor for 18 years, most recently as a deputy editor at the Rocky Mountain News. He lives in a house built in the 1930s, and always keeps the home's character in mind when making upgrades.