

The American Recovery and Reinvestment Act of 2009 (ARRA) builds on legislation passed in previous years, which in turn builds on still earlier legislation. In each case, the most recent law is principally a collection of amendments to previous versions, which is not very useful when you are trying to determine what the law actually says.

To make it easier to see how the ARRA amendments affect pre-existing legislation, we've put together a version of the pertinent sections of the tax code in which we have underlined language that was changed or added by ARRA. The [summary chart](#) is still the fastest way to learn what the law says, but those who are interested in reading the original language will find what they are looking for here.

The ARRA amendments are incorporated in the U.S. Code: Title 26, Subtitle A--Income Taxes, Chapter 1 -- Normal taxes and surtaxes, Subchapter A -- Determination of tax liability, Part IV -- Credits Against Tax, Subpart A -- Nonrefundable Personal Credits, Section 25C. Nonbusiness Energy Property and Section 25D. Residential Energy Efficient Property. The applicable sections of the tax code can be found [here](#) courtesy of [Cornell University Law School](#).

Subpart A—Nonrefundable Personal Credits

Sec. 25C. Nonbusiness Energy Property

25C(a) Allowance Of Credit

In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the sum of—

25C(a)(1)

the amount paid or incurred by the taxpayer during such taxable year for qualified energy efficiency improvements, and

25C(a)(2)

the amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year.

25C(b) Limitation

The aggregate amount of the credits allowed under this section for taxable years beginning in 2009 and 2010 with respect to any taxpayer shall not exceed \$1,500.

25C(c) Qualified Energy Efficiency Improvements

For purposes of this section—

25C(c)(1) In General

The term “qualified energy efficiency improvements” means any energy efficient building envelope component which meets the prescriptive criteria for such component established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of this section (or, in the case of a metal roof with appropriate pigmented coatings, or an asphalt roof with appropriate cooling granules, which meet the Energy Star program requirements), if—

25C(c)(1)(A)

such component is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121),

25C(c)(1)(B)

the original use of such component commences with the taxpayer, and

25C(c)(1)(C)

such component reasonably can be expected to remain in use for at least 5 years.

25C(c)(2) Building Envelope Component

The term “building envelope component” means—

25C(c)(2)(A)

any insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on such dwelling unit [and meets the prescriptive criteria for such material or system established by the 2009 International Energy Conservation Code, as such Code \(including supplements\) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009,](#)

25C(c)(2)(B)

exterior windows (including skylights),

25C(c)(2)(C)

exterior doors, and

25C(c)(2)(D)

any metal roof or asphalt roof installed on a dwelling unit, but only if such roof has appropriate pigmented coatings or cooling granules which are specifically and primarily designed to reduce the heat gain of such dwelling unit.

25C(c)(3) Manufactured Homes Included

The term “dwelling unit” includes a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (part 3280 of title 24, Code of Federal Regulations).

[25C\(c\)\(4\) Qualifications For Exterior Windows, Doors, And Skylights](#)

[Such term shall not include any component described in subparagraph \(B\) or \(C\) of paragraph \(2\) unless such component is equal to or below a U factor of 0.30 and SHGC of 0.30.](#)

25C(d) Residential Energy Property Expenditures

For purposes of this section—

25C(d)(1) In General

The term “residential energy property expenditures” means expenditures made by the taxpayer for qualified energy property which is--

25C(d)(1)(A)

installed on or in connection with a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121), and

25C(d)(1)(B)

originally placed in service by the taxpayer. Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

25C(d)(2) Qualified Energy Property

25C(d)(2)(A) In General

The term “qualified energy property” means—

25C(d)(2)(A)(i)

energy-efficient building property,

25C(d)(2)(A)(ii)

[any qualified natural gas furnace, qualified propane furnace, qualified oil furnace, qualified natural gas hot water boiler, qualified propane hot water boiler, or qualified oil hot water boiler,](#)
[or](#)

25C(d)(2)(A)(iii)

an advanced main air circulating fan.

25C(d)(2)(B) Performance And Quality Standards

Property described under subparagraph (A) shall meet the performance and quality standards, and the certification requirements(if any), which—

25C(d)(2)(B)(i)

have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy or the Administrator of the Environmental Protection Agency, as appropriate), and

25C(d)(2)(B)(ii)

are in effect at the time of the acquisition of the property, or at the time of the completion of the construction, reconstruction, or erection of the property, as the case may be.

25C(d)(2)(C) Requirements And Standards For Air Conditioners And Heat Pumps

The standards and requirements prescribed by the Secretary under subparagraph (B) with respect to the energy efficiency ratio (EER) for central air conditioners and electric heat pumps—

25C(d)(2)(C)(i)

shall require measurements to be based on published data which is tested by manufacturers at 95 degrees Fahrenheit, and

25C(d)(2)(C)(ii)

may be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency.

25C(d)(3) Energy-Efficient Building Property

The term “energy-efficient building property” means—

25C(d)(3)(A)

an electric heat pump water heater which yields an energy factor of at least 2.0 in the standard Department of Energy test procedure,

25C(d)(3)(B)

[an electric heat pump which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009.](#)

25C(d)(3)(C)

a central air conditioner which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, [2009](#),

25C(d)(3)(D)

[a natural gas, propane, or oil water heater which has either an energy factor of at least 0.82 or a thermal efficiency of at least 90 percent.](#)

25C(d)(3)(E)

a stove which uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and which has a thermal efficiency rating of at least 75 percent, [as measured using a lower heating value.](#)

25C(d)(4) Qualified Natural Gas, Propane, And Oil Furnaces And Hot Water Boilers

25C(d)(4)(A) Qualified Natural Gas Furnace

[The term “qualified natural gas furnace” means any natural gas furnace which achieves an annual fuel utilization efficiency rate of not less than 95.](#)

25C(d)(4)(B) Qualified Natural Gas Hot Water Boiler

[The term “qualified natural gas hot water boiler” means any natural gas hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 90.](#)

25C(d)(4)(C) Qualified Propane Furnace

[The term “qualified propane furnace” means any propane furnace which achieves an annual fuel utilization efficiency rate of not less than 95.](#)

25C(d)(4)(D) Qualified Propane Hot Water Boiler

[The term “qualified propane hot water boiler” means any propane hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 90.](#)

25C(d)(4)(E) Qualified Oil Furnaces

The term “qualified oil furnace” means any oil furnace which achieves an annual fuel utilization efficiency rate of not less than 90.

25C(d)(4)(F) Qualified Oil Hot Water Boiler

The term “qualified oil hot water boiler” means any oil hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 90.

25C(d)(5) Advanced Main Air Circulating Fan

The term “advanced main air circulating fan” means a fan used in a natural gas, propane, or oil furnace and which has an annual electricity use of no more than 2 percent of the total annual energy use of the furnace (as determined in the standard Department of Energy test procedures).

25C(d)(6) Biomass Fuel

The term “biomass fuel” means any plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (including wood pellets), plants (including aquatic plants), grasses, residues, and fibers.

25C(e) Special Rules

For purposes of this section—

25C(e)(1) Application Of Rules

Rules similar to the rules under paragraphs (4), (5),(6), (7), and (8) of section 25D(e) shall apply.

25C(e)(2) Joint Ownership Of Energy Items

25C(e)(2)(A) In General

Any expenditure otherwise qualifying as an expenditure under this section shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

25C(e)(2)(B) Limits Applied Separately

In the case of any expenditure described in subparagraph(A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

25C(f) Basis Adjustments

For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

25C(g) Termination

This section shall not apply with respect to any property placed in service—

25C(g)(1) after December 31, 2007, and before January 1, 2009, or

25C(g)(2) after December 31, 2010.

SEC. 25D. RESIDENTIAL ENERGY EFFICIENT PROPERTY.

25D(a) Allowance of Credit

In the case of an individual, there be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of--

25D(a)(1)

30 percent of the qualified solar electric property expenditures made by the taxpayer during such year,

25D(a)(2)

30 percent of the qualified solar water heating property expenditures made by the taxpayer during such year, and

25D(a)(3)

30 percent of the qualified fuel cell property expenditures made by the taxpayer during such year.

25D(b) Limitations

25D(b)(1) MAXIMUM CREDIT FOR FUEL CELLS.

In the case of any qualified fuel cell property expenditure, the credit allowed under subsection (a) (determined without regard to subsection (c)) for any taxable year shall not exceed \$500 with respect to each half kilowatt of capacity of the qualified fuel cell property (as defined in section 48(c)(1)) to which such expenditure relates.

25D(b)(1)(A)

\$2,000 with respect to any qualified solar electric property expenditures,

25D(b)(1)(B)

\$2,000 with respect to any qualified solar water heating property expenditures, and

25D(b)(1)(C)

\$500 with respect to each half kilowatt of capacity of qualified fuel cell property (as defined in section 48(c)(1)) for which qualified fuel cell property expenditures are made.

25D(b)(2) CERTIFICATION OF SOLAR WATER HEATING PROPERTY

No credit shall be allowed under this section for an item of property described in subsection (d)(1) unless such property is certified for performance by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed.

25D(c) Carryforward of Unused Credit.

25D(c)(1)

Rule for years in which all personal credits allowed against regular and alternative minimum tax.-

-In the case of a taxable year to which section 26(a)(2) applies, if the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a)(2) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

25D(c)(2)

Rule for other years.--In the case of a taxable year to which section 26(a)(2) does not apply, if the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a)(1) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section and sections 23, 24, and 25B), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

25D(d) Definitions- For purposes of this section

25D(d)(1) QUALIFIED SOLAR WATER HEATING PROPERTY EXPENDITURE

The term 'qualified solar water heating property expenditure' means an expenditure for property to heat water for use in a dwelling unit located in the United States and used as a residence by the taxpayer if at least half of the energy used by such property for such purpose is derived from the sun.

25D(d)(2) QUALIFIED SOLAR ELECTRIC PROPERTY EXPENDITURE

The term 'qualified solar electric property expenditure' means an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.

25D(d)(3) QUALIFIED FUEL CELL PROPERTY EXPENDITURE

The term 'qualified fuel cell property expenditure' means an expenditure for qualified fuel cell property (as defined in section 48(c)(1)) installed on or in connection with a dwelling unit located in the United States and used as a principal residence (within the meaning of section 121) by the taxpayer.

25D(e) Special Rules- For purposes of this section

25D(e)(1) LABOR COSTS

Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in subsection(d) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section.

25D(e)(2) SOLAR PANELS

No expenditure relating to a solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as property described in paragraph(1) or (2) of subsection (d) solely because it constitutes a structural component of the structure on which it is installed.

25D(e)(3) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM

Expenditures which properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage shall not be taken into account for purposes of this section.

25D(e)(4) FUEL CELL EXPENDITURE LIMITATIONS IN CASE OF JOINT OCCUPANCY.

In the case of any dwelling unit with respect to which qualified fuel cell property expenditures are made and which is jointly occupied and used during any calendar year as a residence by two or more individuals, the following rules shall apply:

25D(e) (A) MAXIMUM EXPENDITURES FOR FUEL CELLS.—The maximum amount of such expenditures which may be taken into account under subsection (a) by all such individuals with respect to such dwelling unit during such calendar year shall be \$1,667 in the case of each half kilowatt of capacity of qualified fuel cell property (as defined in section 48(c)(1)) with respect to which such expenditures relate.'', and

25D(e)(4)(B) Allocation of expenditures.

The expenditures allocated to any individual for the taxable year in which such calendar year ends shall be an amount equal to the lesser of--

25D(e)(4)(B)(i)

the amount of expenditures made by such individual with respect to such dwelling during such calendar year, or

25D(e)(4)(B)(ii)

the maximum amount of such expenditures set forth in subparagraph (A) multiplied by a fraction--

25D(e)(4)(B)(I)

the numerator of which is the amount of such expenditures with respect to such dwelling made by such individual during such calendar year, and

25D(e)(4)(B)(II)

the denominator of which is the total expenditures made by all such individuals with respect to such dwelling during such calendar year.

25D(e)(5) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION

In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

25D(e)(6) CONDOMINIUMS

25D(e)(6)(A) IN GENERAL

In the case of an individual who is a member of a condominium management association with respect to a condominium which the individual owns, such individual shall be treated as having made the individual's proportionate share of any expenditures of such association.

25D(e)(6)(B) CONDOMINIUM MANAGEMENT ASSOCIATION

For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

25D(e)(7) ALLOCATION IN CERTAIN CASES

If less than 80 percent of the use of an item is for nonbusiness purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness purposes shall be taken into account.

25D(e)(8) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE

25D(e)(8)(A) IN GENERAL

Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

25D(e)(8)(B) EXPENDITURES PART OF BUILDING CONSTRUCTION

In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

25D(e)(9) PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING

For purposes of determining the amount of expenditures made by any individual with respect to any dwelling unit, there shall not be taken into account expenditures which are made from subsidized energy financing (as defined in section 48(a)(4)(C)).

25D(f) Basis Adjustments

For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

25D(g) Termination

The credit allowed under this section shall not apply to property placed in service after December 31, 2008.

SEC. 1122. MODIFICATION OF CREDIT FOR RESIDENTIAL ENERGY EFFICIENT PROPERTY

NOTE: 26 USC 25D note. Effective Date. -- The amendments made by this section shall apply to taxable years beginning after December 31, 2008..