

Finance



Save energy and shave your taxes

By JOHN VOGEL

MOST Americans are already in the energy-saving mode — especially farmers. Now, the year-end tax-saving mode kicks in.

Accomplishing both won't be easy. Even after you pencil out a "wallet savings" for energy-efficient purchases, many regulatory hoops must be cleared. But farmers are no strangers to hoops.

Here's a quick look at federal Energy Policy Act tax credits you might use through 2007. Most details and the table at the right are derived from information provided by the Tax Incentives Assistance Project and the American Council for an Energy-Efficient Economy, nonprofit coalitions of public and private institutions.

Home heating

The hottest demand for rural-home heating, as evidenced at recent farm shows, has been for outdoor wood furnaces and boilers. These, along with indoor furnaces, qualify for up to a \$150 tax credit — if they meet specific high-energy factor ratings. However, most

Obtain more info about tax credits

FIRST, thoroughly check out whether your potential energy-efficient purchases or fuel-making equipment will qualify for tax credits. Regulatory requirements are complicated and often onerous. Before moving ahead with any related purchase project, check for qualification details with your tax consultant.

The following Web sites may be helpful:

■ **Energy tax credits:** Tax Incentives Assistance Project, www.energytaxincentives.org.

■ **Consumer and business tax credits:** Alliance to Save Energy, www.ase.org/content/article/detail/2654.

■ **Ethanol and biodiesel producer credits:** Renewable Fuels Association, www.ethanolrfa.org/policy/regulations/federal.

■ **Technical and energy policy analysis:** American Council for an Energy-Efficient Economy, www.aceee.org.

Key Points

- Some tax incentives are aimed at improving energy efficiency.
- Tax credits are available for the year purchases are put in place.
- Earn credits for purchases like home-heating furnaces and hybrid trucks.

outdoor furnaces won't.

Homes and businesses can take tax credits of 30% for qualifying photovoltaic lighting and heating systems and solar water-heating systems. But solar water heating can't be used to heat swimming pools and hot tubs.

Vehicles and fuel

Premium-priced gas-electric hybrids and clean-burning diesel vehicles are eligible for tax credits ranging from \$250 to \$2,600. On Oct. 1, the Internal Revenue Service halved the credits on Toyota-brand hybrids because they passed the 60,000-vehicle limit set by Congress.

General Motors' 2006 Silverado and Sierra hybrids are the only pickups earning up to a \$650 credit; the 2007 models will earn up to a \$900 credit.

Keep in mind hybrid retail markups may be greater than tax credits plus projected fuel savings. Going into the 2007 model year, no qualifying domestic clean-burning diesels are available.

A 30% deduction for clean-fuel refueling equipment may fit more farms. A "clean fuel" consists of at least 85% ethanol, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, or hydrogen, or is any mixture of diesel fuel and biodiesel containing at least 20% biodiesel.

Qualifying property includes tanks and pumps but not buildings. While IRS rules are still unclear on the dollar cap, it may be \$1,000 for each residential site.

Biofuel makers

Small-scale biodiesel and ethanol producers are eligible for a 10-cent-per-gallon tax credit for up to 15 million gallons of agricultural biodiesel or ethanol. The credit is effective through 2008.

Tax credits for both are capped at \$1.5 million per year per producer. They can be passed through to farmer-owners of a cooperative and can be used to offset the alternative minimum tax.

Vogel is a Farm Progress editor.

Energy-efficiency tax incentives*

Situation	Maximum tax credit
Existing homes, nonbusiness applications	\$500
High-efficiency central air conditioners	\$300
High-efficiency heat pumps	\$300
High-efficiency water heaters	(tankless) \$300
High-efficiency gas and oil furnaces, boilers	\$150
High-efficiency electric equipment (fans)	\$50
Home envelope improvements	
Insulation, exterior doors, duct sealing	10% up to \$500
Windows and skylights	10% up to \$200
Pigmented metal roofs	10% up to \$500
New homes (only if you're the builder)	
Site-built or manufactured	\$2,000
Residential and business	
Photovoltaic electric system and solar water heating	\$2,000
Commercial building	
Whole building (50% energy savings)	\$1.80 per square ft.**
Lighting, HVAC, envelope (50% energy savings)	\$0.60 per square ft.**
Lighting, (at least 25% energy savings)	\$0.30 per square ft.**
Fuel cells, microturbines, solar equipment	
Fuel cells (business or individual)	30% up to \$1,000 per kilowatt
Microturbines (business only)	10% up to \$200 per kilowatt
Solar equipment (business or individual)	30% up to \$2,000
Clean-fuel refueling equipment	30% up to \$1,000 per residential site **
Biodiesel, ethanol production	\$0.10 per gallon to 15 million gallons

* To be eligible, all must meet Energy Star or other federally specified energy-efficiency standards.

** A tax deduction, not a tax credit.

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