



NEW FEDERAL TAX CREDITS

Good News! The "Emergency Economic Stabilization Act of 2008" created new Federal tax credits for homeowners and businesses who install geothermal heat pump systems. The tax credit is up to \$2,000 for homeowners, and the new tax credit for businesses starts October 3, 2008.

The Emergency Economic Stabilization Act of 2008, H.R. 1424, which became law on October 3rd, contains long-term tax incentives to encourage the use of renewable energy technologies in homes and businesses, including geothermal heat pumps. Homeowners may qualify for an income tax credit of 30 percent of the expenditure for an Energy Star geothermal heat pump system, up to a maximum credit of \$2,000. It should apply to expenditures in 2008 all the way up to 2016. Look for updated IRS Forms with specific instructions (last year IRS Form 5695 addressed this credit, but the IRS may change forms for 2008). As usual, check with your tax professional to see how this credit may apply to your specific situation.

By classifying geothermal heat pumps under federal renewable energy provisions with solar and wind, Congress has recognized the crucial role this 50-state technology can play in reshaping our energy future. The provision of long-term installation incentives will raise public awareness, improve the economics for purchasers, and create a foundation for investment in the job-creating infrastructure of this renewable energy industry.

The new tax incentives for geothermal heat pumps are the culmination of an "all-out" federal legislative affairs effort unilaterally initiated by LSB Industries (Amex LXU) subsidiary, ClimateMaster, in April, 2007. Dan Ellis, president, with the support of a coalition of top-tier legislative consultants, embarked on a mission to educate Congress on the benefits of geothermal heat pumps and the role they could play in meeting our nation's energy-efficiency and climate change goals. Ultimately, there were direct meetings with 34 members of Congress, including Majority Leader Reid, and with hundreds of staff members and other government and administration employees. This effort received vital support from:

- Alliance to Save Energy
- American Council for an Energy Efficient Economy
- International Ground Source Heat Pump Association
- Geothermal Heat Pump Consortium
- Geothermal National & International Initiative Inc.
- National Ground Water Association
- Geothermal Energy Association
- National Rural Electric Cooperative Association

Additional provisions of the bill that directly or indirectly support geothermal heat pumps are:

Extension of Credit for Energy-Efficiency Improvements to New Homes. Under current law, contractors receive a credit for the construction of energy-efficient new homes that achieve a 30% or 50% reduction in heating and cooling energy consumption relative to a comparable dwelling. The credit equals \$1,000 for homes meeting a 30% efficiency standard, \$2,000 for homes meeting a 50% standard. The bill extends the new energy efficient home tax credit through 2009.

Long-term Extension of Energy Credit. The bill provides a new 10% investment tax credit for geothermal heat pumps. The bill extends these credits through 2016 and allows them to be used to offset the alternative minimum tax (AMT). By including geothermal heat pumps within the definition of "energy property" in the Energy Credit language, geothermal heat pump systems placed in service after October 3, 2008 will now also be subject to a 5-year depreciation period.

Extension of Energy-Efficient Buildings Deduction. Current law allows taxpayers to deduct the cost of energy-efficient property installed in commercial buildings. The amount deductible is up to \$1.80 per square foot of building floor area for buildings achieving a 50% energy savings target. The energy savings must be accomplished through energy and power cost reductions for the building's heating, cooling, ventilation, hot water, and interior lighting systems. This bill extends the energy efficient commercial buildings deduction for five years, through December 31, 2013.