



## **Federal IRS Income Tax Form for Tax Year 2010 (1/1/2010-12/31/2010)**

You can efile this tax form for Tax Year 2010 (Jan. 1, 2010 - Dec. 31, 2010) from Jan. 15, 2011 until October 17, 2011.

After October 15 until around December 15, you can prepare the current tax year's tax forms online, but the IRS will no longer accept tax returns via efile. After December 15 of the tax year, forms can only be prepared offline and will have to be mailed to the address listed on each tax form.

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**Part II Residential Energy Efficient Property Credit** (See instructions before completing this part.)

**Note.** Skip lines 12 through 21 if you only have a **credit carryforward from 2009.**

<b>12</b>	Qualified solar electric property costs . . . . .	<b>12</b>		
<b>13</b>	Qualified solar water heating property costs . . . . .	<b>13</b>		
<b>14</b>	Qualified small wind energy property costs . . . . .	<b>14</b>		
<b>15</b>	Qualified geothermal heat pump property costs . . . . .	<b>15</b>		
<b>16</b>	Add lines 12 through 15 . . . . .	<b>16</b>		
<b>17</b>	Multiply line 16 by 30% (.30) . . . . .	<b>17</b>		
<b>18</b>	Qualified fuel cell property costs . . . . .	<b>18</b>		
<b>19</b>	Multiply line 18 by 30% (.30) . . . . .	<b>19</b>		
<b>20</b>	Kilowatt capacity of property on line 18 above ▶ _____ x \$1,000	<b>20</b>		
<b>21</b>	Enter the smaller of line 19 or line 20 . . . . .	<b>21</b>		
<b>22</b>	Credit carryforward from 2009. Enter the amount, if any, from your 2009 Form 5695, line 28 . . . . .	<b>22</b>		
<b>23</b>	Add lines 17, 21, and 22 . . . . .	<b>23</b>		
<b>24</b>	Enter the amount from Form 1040, line 46, or Form 1040NR, line 44 . . . . .	<b>24</b>		
<b>25</b>	<p><b>1040 filers:</b> Enter the total, if any, of your credits from Form 1040, lines 47 through 50; line 11 of this form; line 12 of the Line 11 worksheet in Pub. 972 (see instructions); Form 8396, line 9; Form 8859, line 3; Form 8834, line 22; Form 8910, line 21; Form 8936, line 14; and Schedule R, line 22.</p> <p><b>1040NR filers:</b> Enter the amount, if any, from Form 1040NR, lines 45 through 47; line 11 of this form; line 12 of the Line 11 worksheet in Pub. 972 (see instructions); Form 8396, line 9; Form 8859, line 3; Form 8834, line 22; Form 8910, line 21; and Form 8936, line 14.</p>	<b>25</b>		
<b>26</b>	Subtract line 25 from line 24. If zero or less, enter -0- here and on line 27 . . . . .	<b>26</b>		
<b>27</b>	<b>Residential energy efficient property credit.</b> Enter the smaller of line 23 or line 26. Also include this amount on Form 1040, line 52, or Form 1040NR, line 49 . . . . .	<b>27</b>		
<b>28</b>	Credit carryforward to 2011. If line 27 is less than line 23, subtract line 27 from line 23 . . . . .	<b>28</b>		

## General Instructions

Section references are to the Internal Revenue Code.

### What's New

**Nonbusiness energy property credit.** The nonbusiness energy property (NBEP) credit has been extended for property placed in service in 2011. However, any NBEP credit for which you might be eligible for NBEP improvements in 2011 may be limited, or you may be allowed no NBEP credit at all for 2011 NBEP improvements. For 2011 NBEP improvements, the maximum NBEP credit allowed is \$500 reduced (but not below zero) by the total of your NBEP credits for 2006 through 2010. In addition, the credit allowed for windows for 2011 is limited to \$200 reduced (but not below zero) by the total of your credits for windows from 2006 through 2010.

### Purpose of Form

Use Form 5695 to figure and take your residential energy credits. The residential energy credits are:

- The nonbusiness energy property credit, and
- The residential energy efficient property credit.

Also use Form 5695 to take any residential energy efficient property credit carryforward from 2009 or to carry the unused portion of the credit to 2011.

### Who Can Take the Credits

You may be able to take the credits if you made energy saving improvements to your home located in the United States in 2010.

**Home.** A home is where you lived in 2010 and can include a house, houseboat, mobile home, cooperative apartment, condominium, and a manufactured home that conforms to Federal Manufactured Home Construction and Safety Standards.

You must reduce the basis of your home by the amount of any credits allowed.

**Main home.** Your main home is generally the home where you live most of the time. A temporary absence due to special circumstances, such as illness, education, business, military service, or vacation, will not change your main home.

**Costs.** For purposes of both credits, costs are treated as being paid when the original installation of the item is completed, or in the case of costs connected with the reconstruction of your home, when your original use of the reconstructed home begins. For purposes of the residential energy efficient property credit only, costs connected with the construction of a home are treated as being paid when your original use of the constructed home begins. If less than 80% of the use of an item is for nonbusiness purposes, only that portion of the costs that is allocable to the nonbusiness use can be used to determine either credit.



*The nonbusiness energy property credit is only available for existing homes. Only the residential energy efficient property credit is available for both existing homes and homes being constructed.*

**Association or cooperative costs.** If you are a member of a condominium management association for a condominium you own or a tenant-stockholder in a cooperative housing corporation, you are treated as having paid your proportionate share of any costs of such association or corporation.



*If you received a subsidy from a public utility for the purchase or installation of an energy conservation product and that subsidy was not included in your gross income, you must reduce your cost for the product by the amount of that subsidy before you compute your credit. This rule*

*also applies if a third party (such as a contractor) receives the subsidy on your behalf.*

### Nonbusiness Energy Property Credit

You may be able to take a credit of 30% of the costs paid or incurred in 2010 for any qualified energy efficiency improvements and any residential energy property. The credit is limited to a total of \$1,500 over tax years 2009 and 2010.

**Qualified energy efficiency improvements.** Qualified energy efficiency improvements are the following building envelope components installed on or in your main home that you owned during 2010 located in the

United States if the original use of the component begins with you and the component can be expected to remain in use at least 5 years.

- Any insulation material or system that is specifically and primarily designed to reduce heat loss or gain of a home when installed in or on such a home.
- Exterior windows (including certain storm windows) and skylights.
- Exterior doors (including certain storm doors).
- Any metal roof with appropriate pigmented coatings or asphalt roof with appropriate cooling granules that are specifically and primarily designed to reduce the heat gain of your home, and the roof meets or exceeds the Energy Star program requirements in effect at the time of purchase or installation.

For purposes of figuring the credit, do not include amounts paid for the onsite preparation, assembly, or original installation of the building envelope component.



*To qualify for the credit, qualified energy efficiency improvements must meet certain energy efficiency requirements. See Lines 2a Through 2d on page 4 for details.*

**Residential energy property costs.** Residential energy property costs are costs of new qualified energy property that is installed on or in connection with your main home that you owned during 2010 located in the United States. Include any labor costs properly allocable to the onsite preparation, assembly, or original installation of the energy property. Qualified residential energy property is any of the following.

- Certain electric heat pump water heaters; electric heat pumps; central air conditioners; natural gas, propane, or oil water heaters; and stoves that use biomass fuel.
- Qualified natural gas, propane, or oil furnaces and qualified natural gas, propane, or oil hot water boilers.
- Certain advanced main air circulating fans used in natural gas, propane, or oil furnaces.



*To qualify for the credit, qualified residential energy property must meet certain energy efficiency requirements. See Lines 3a Through 3c that begins on page 4 for details.*

**Joint ownership of qualified property.** If you and a neighbor shared the cost of qualifying property to benefit each of your main homes, both of you can take the nonbusiness energy property credit. You figure your credit on the part of the cost you paid. The limit on the amount of the credit applies to each of you separately.

**Married taxpayers with more than one home.** If both you and your spouse owned and lived apart in separate main homes, the limit on the amount of the credit applies to each of you separately. If you are filing separate returns, both of you would complete a separate Form 5695. If you are filing a joint return, figure your nonbusiness energy property credit as follows.

1. Complete Part I of a separate Form 5695 for each main home through line 5.
2. Figure the amount to be entered on line 5 of both forms (but not more than \$1,500 for each form) and enter the combined amount on line 5 of one of the forms.
3. On line 6 of the form with the combined amount on line 5, cross out the preprinted \$1,500 and enter \$3,000.
4. On the dotted line to the left of line 6, enter "More than one main home." Then, complete the rest of this form.
5. Attach both forms to your return.

**Joint occupancy.** If you owned your home jointly with someone other than your spouse, each owner must complete his or her own Form 5695. Your credit is limited to the smaller of:

1. The amount you paid, or
2. \$1,500 multiplied by a fraction. The numerator is the amount you paid and the denominator is the total amount paid by you and all other owners.

These rules do not apply to married individuals filing a joint return.

## Residential Energy Efficient Property Credit

You may be able to take a credit of 30% of your costs of qualified solar electric property, solar water heating property, small wind energy property, geothermal heat pump property, and fuel cell property. Include any labor costs properly allocable to the onsite preparation, assembly, or original installation of the residential energy efficient property and for piping or wiring to interconnect such property to the home. The credit amount for costs paid for qualified fuel cell property is limited to \$500 for each one-half kilowatt of capacity of the property.

**Qualified solar electric property costs.** Qualified solar electric property costs are costs for property that uses solar energy to generate electricity for use in your home located in the United States. This includes costs relating to a solar panel or other property installed as a roof or a portion of a roof. The home does not have to be your main home.

**Qualified solar water heating property costs.** Qualified solar water heating property costs are costs for property to heat water for use in your home located in the United States if at least half of the energy used by the solar water heating property for such purpose is derived from the sun. This includes costs relating to a solar panel or other property installed as a roof or a portion of a roof. To qualify for the credit, the property must be certified for performance by the nonprofit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the state in which the property is installed. The home does not have to be your main home.

**Qualified small wind energy property costs.** Qualified small wind energy property costs are costs for property that uses a wind turbine to generate electricity for use in connection with your home located in the United States. The home does not have to be your main home.

**Qualified geothermal heat pump property costs.** Qualified geothermal heat pump property costs are costs for qualified geothermal heat pump property installed on or in connection with your home located in the United States. Qualified geothermal heat pump property is any equipment that uses the ground or ground water as a thermal energy source to heat your home or as a thermal energy sink to cool your home. To qualify for the credit, the geothermal heat pump property must meet the requirements of the Energy Star program that are in effect at the time of purchase. The home does not have to be your main home.

**Qualified fuel cell property costs.** Qualified fuel cell property costs are costs for qualified fuel cell property installed on or in connection with your main home located in the United States. Qualified fuel cell property is an integrated system comprised of a fuel cell stack assembly and associated balance of plant components that converts a fuel into electricity using electrochemical means. To qualify for the credit, the fuel cell property must have a nameplate capacity of at least one-half kilowatt of electricity using an electrochemical process and an electricity-only generation efficiency greater than 30%.



*Costs allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage do not qualify for the residential energy efficiency credit.*

**Joint occupancy.** If you occupied your home jointly with someone other than your spouse, each occupant must complete his or her own Form 5695. To figure the credit, the maximum qualifying costs that can be taken into account by all occupants for qualified fuel cell property costs is \$1,667 for each one-half kilowatt of capacity of the property. The amount allocable to you for qualified fuel cell property costs is the lesser of:

1. The amount you paid, or
2. The maximum qualifying cost of the property multiplied by a fraction. The numerator is the amount you paid and the denominator is the total amount paid by you and all other occupants.

These rules do not apply to married individuals filing a joint return.

**Example.** Taxpayer A owns a house with Taxpayer B where they both reside. In 2010, they installed qualified fuel cell property at a cost of \$20,000 with a kilowatt capacity of 5. Taxpayer A paid \$12,000 towards the cost of the property and Taxpayer B paid the remaining \$8,000. The amount to be allocated is \$16,670 ( $\$1,667 \times 10$  (kilowatt capacity  $\times$  2)). The amount of cost allocable to Taxpayer A is \$10,002 ( $\$16,670 \times \$12,000/\$20,000$ ). The amount of cost allocable to Taxpayer B is \$6,668 ( $\$16,670 \times \$8,000/\$20,000$ ).

## Specific Instructions

### Part I

#### Lines 2a Through 2d

### Nonbusiness Energy Property Credit

#### Before you begin Part I:

Figure the amount of any credit for the elderly or the disabled you are claiming.

#### Line 1

To qualify for the credit, any qualified energy efficiency improvements or residential energy property costs must have been for your main home located in the United States. See *Main home* on page 3. If you check the "No" box, you cannot take the nonbusiness energy property credit.

**Note.** Unless otherwise noted, any references to the International Energy Conservation Code (IECC) are treated as references to the 2001 Supplement of the 2000 IECC, the 2004 Supplement of the 2003 IECC, or the 2009 IECC. However, a reference to the 2009 IECC is a reference only to the 2009 International Energy Conservation Code.



*Do not include on lines 2a through 2d any amounts paid for the onsite preparation, assembly, or original installation of the components.*

**Line 2a.** Enter the amounts you paid for any insulation material or system (including any vapor retarder or seal to limit infiltration) that is specifically and primarily designed to reduce the heat loss or gain of your home when installed in or on such home and meets the prescriptive criteria established by the 2009 IECC as in effect (with supplements) on February 17, 2009.



*A component is not specifically and primarily designed to reduce the heat loss or gain of your home if it provides structural support or a finished surface (such as drywall or siding) or its principal purpose is to serve any function unrelated to the reduction of heat loss or gain.*

**Line 2b.** Enter the amounts you paid for exterior windows (including any storm windows installed with such exterior windows) and skylights that meet the prescriptive criteria established by the IECC for such components and have a U-factor of 0.30 or less and a solar heat gain coefficient (SHGC) of 0.30 or less.

**Line 2c.** Enter the amounts you paid for exterior doors that meet the prescriptive criteria established by the IECC for such components and have a U-factor of 0.30 or less and an SHGC of 0.30 or less.

**Line 2d.** Enter the amounts you paid for a metal roof with the appropriate pigmented coatings or an asphalt roof with the appropriate cooling granules that are specifically and primarily designed to reduce the heat gain of your home, and the roof meets or exceeds the Energy Star program requirements in effect at the time of purchase or installation.

**Manufacturer's certification.** For purposes of taking the credit, you can rely on a manufacturer's certification in writing that a building envelope component is an eligible building envelope component. Do not attach the certification to your return. Keep it for your records.

#### Lines 3a Through 3c



*Also include on lines 3a through 3c any labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.*

**Line 3a.** Enter the amounts you paid for energy-efficient building property. Energy-efficient building property is any of the following.

- An electric heat pump water heater that yields an energy factor of at least 2.0 in the standard Department of Energy test procedure.
- An electric heat pump that achieves the highest efficiency tier established by the Consortium for Energy Efficiency (CEE) as in effect on January 1, 2009.
- A central air conditioner that achieves the highest efficiency tier that has been established by the CEE as in effect on January 1, 2009.

- A natural gas, propane, or oil water heater that has an energy factor of at least 0.82 or a thermal efficiency of at least 90%.
- A stove that uses the burning of biomass fuel to heat your home or heat water for your home that has a thermal efficiency rating of at least 75% as measured by using a lower heating value. Biomass fuel is 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.

**Line 3b.** Enter the amounts you paid for a natural gas or propane furnace that achieves an annual fuel utilization efficiency rate of at least 95 and for a natural gas, propane, or oil hot water boiler or oil furnace that achieves an annual fuel utilization efficiency rate of at least 90.

**Line 3c.** Enter the amounts you paid for an advanced main air circulating fan used in a natural gas, propane, or oil furnace that has an annual electricity use of no more than 2% of the total annual energy use of the furnace (as determined in the standard Department of Energy test procedures).

**Manufacturer's certification.** For purposes of taking the credit, you can rely on a manufacturer's certification in writing that a product is qualified residential energy property. Do not attach the certification to your return. Keep it for your records.

**Line 6**

If the rules on page 3 for joint occupancy apply, cross out the preprinted \$1,500 on line 6 and enter on line 6 the smaller of:

1. The amount on line 4, or
2. \$1,500 multiplied by a fraction. The numerator is the amount on line 4. The denominator is the total amount from line 4 for all owners.

For more details, see *Joint occupancy* on page 3.

**Line 10**

Complete the worksheet below to figure the amount to enter on line 10.

**Credit Limit Worksheet—Line 10**

1. Enter the amount from Form 1040, line 46, or Form 1040NR, line 44 . . . . . **1.** \_\_\_\_\_
2. Enter the total, if any, of your credits from Form 1040, lines 47 through 50, and Schedule R, line 22; or Form 1040NR, lines 45 through 47 . . . . . **2.** \_\_\_\_\_
3. Subtract line 2 from line 1. Also enter this amount on Form 5695, line 10. If zero or less, **stop**; you cannot take the nonbusiness energy property credit . . . . . **3.** \_\_\_\_\_

**Part II**

**Residential Energy Efficient Property Credit**

**Before you begin Part II:**

Figure the amount of any of the following credits you are claiming.

- Credit for the elderly or the disabled.
- Mortgage interest credit.
- District of Columbia first-time homebuyer credit.
- Alternative motor vehicle credit.
- Qualified plug-in electric vehicle credit.
- Qualified plug-in electric drive motor vehicle credit.



*Also include on lines 12 through 15, and 18, any labor costs properly allocable to the onsite preparation, assembly, or original installation of the property and for piping or wiring to interconnect such property to the home.*

**Line 12**

Enter the amounts you paid for qualified solar electric property. See *Qualified solar electric property costs* on page 4.

**Line 13**

Enter the amounts you paid for qualified solar water heating property. See *Qualified solar water heating property costs* on page 4.

**Line 14**

Enter the amounts you paid for qualified small wind energy property. See *Qualified small wind energy property costs* on page 4.

**Line 15**

Enter the amounts you paid for qualified geothermal heat pump property. See *Qualified geothermal heat pump property costs* on page 4.

**Line 18**

Enter the amounts you paid for qualified fuel cell property. See *Qualified fuel cell property costs* on page 4.

**Line 25**

If you are claiming the child tax credit for 2010, include on this line the amount from line 12 of the Line 11 Worksheet in Pub. 972.



*If you are not claiming the child tax credit for 2010, you do not need Pub. 972.*

**Manufacturer's certification.** For purposes of taking the credit, you can rely on the manufacturer's certification in writing that a product is qualifying property for the credit. Do not attach the certification to your return. Keep it for your records.

**Line 28**

If you cannot use all of the credit because of the tax liability limit (line 26 is less than line 23), you can carry the unused portion of the credit to 2011.

File this form even if you cannot use any of your credit in 2010.