

Alert: A Hot Topic for Contractors and Developers



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This alert explores some of the hot tax issues facing the construction industry today.

Green Building and Tax Opportunity

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The IRS issued a notice that clarifies the definition of an eligible contractor for purposes of the qualified energy-efficient home credit. This clarification states that developers who hire third party contractors to construct residential dwelling units would be considered the eligible contractor. Currently, the energy-efficient home credit has expired as of 12/31/2009. However, there are strong indicators that this credit will be extended into the 2010 year as it was for 2009.

This credit can have substantial value. If you have developed a project in 2007-2009 or are considering a future development which has the characteristics mentioned below, please notify your tax advisor to take advantage of this credit.

Project Characteristics

- > 3 stories above grade or less (All projects must meet this to qualify)
- > 20 units or more
- > Energy efficient buildings would include some features such as: wall insulation R-19+, roof insulation R-30+, double/triple pane windows, insulated exterior doors, reflective roofing materials, extra insulated foundations and slabs, air conditioning with SEER ratings 13+, and 80%+ efficiency gas furnaces, hydronic heating systems

Baker Tilly Virchow Krause, LLP has relationships with firms that specialize in certifying projects meet the standards. Preliminary analysis can be done free of charge.

Taxpayer Considerations

- > AMT – currently the credit does not reduce your AMT tax liability
- > Twenty-year carryforward from the year the credit is generated
- > Taxability of the credit
- > Cost/benefit of the analysis done to certify

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