

Name(s) shown on return

Your social security number

Part I Nonbusiness Energy Property Credit (See instructions before completing this part.)

1 Were the energy efficiency improvements or residential energy property costs made to your main home located in the United States? (see instructions) Yes No

Caution: If you checked the "No" box, you cannot claim the nonbusiness energy property credit. Do not complete Part I.

2 Qualified energy efficiency improvements (see instructions).		
a Insulation material or system primarily designed to reduce heat loss or gain in your home	2a	
b Exterior windows (including skylights). Do not enter more than \$2,000	2b	
c Exterior doors	2c	
d Metal roof with appropriate pigmented coatings that meet the Energy Star program requirements primarily designed to reduce heat gain in your home	2d	

3 Add lines 2a through 2d **3**

4 Multiply line 3 by 10% (.10) **4**

5 Residential energy property costs (see instructions).		
a Energy-efficient building property. Do not enter more than \$300	5a	
b Qualified natural gas, propane, or oil furnace or hot water boiler. Do not enter more than \$150	5b	
c Advanced main circulating fan used in a natural gas, propane, or oil furnace. Do not enter more than \$50	5c	

6 Add lines 5a through 5c **6**

7 Add lines 4 and 6 **7**

8 Enter the smaller of line 7 or \$500 **8**

9 Enter the amount from Form 1040, line 46, or Form 1040NR, line 43 **9**

10 Enter the total, if any, of your credits from Form 1040, lines 47 through 51, or Form 1040NR, lines 44 through 46 **10**

11 Subtract line 10 from line 9. If zero or less, stop. You cannot take the nonbusiness energy property credit **11**

12 **Nonbusiness energy property credit.** Enter the smaller of line 8 or line 11 **12**

Extend vertical upright sheet

Add ceiling columns

Insert 1/2 inch wire space

*12-12-06
12/10/2006
12/12/06*

Before you begin: Figure the amount of any of the following credits that you are claiming.

- Child tax credit
- Mortgage interest credit
- Adoption credit
- District of Columbia first-time homebuyer credit

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

13	Qualified photovoltaic property costs	13		
14	Multiply line 13 by 30% (.30)	14		
15	Maximum credit amount	15	2,000	
16	Enter the smaller of line 14 or line 15			16
17	Qualified solar water heating property costs	17		
18	Multiply line 17 by 30% (.30)	18		
19	Maximum credit amount	19	2,000	
20	Enter the smaller of line 18 or line 19			20
21	Qualified fuel cell property costs	21		
22	Multiply line 21 by 30% (.30)	22		
23	Kilowatt capacity of property on line 21 above ▶ X \$1,000	23		
24	Enter the smaller of line 22 or line 23			24
25	Add lines 16, 20, and 24			25
26	Enter the amount from Form 1040, line 46, or Form 1040NR, line 43	26		
27	1040 filers: Enter the total, if any, of your credits from Form 1040, lines 47 through 51, 53, and 54, plus the amount, if any, from line 12 of this form.	27		
	1040NR filers: Enter the total, if any, of your credits from Form 1040NR, lines 44 through 46, 48, and 49, plus the amount, if any, from line 12 of this form.			
28	Subtract line 27 from line 26. If zero or less, enter -0- here and on line 29	28		
29	Residential energy efficient property credit. Enter the smaller of line 25 or line 28	29		
30	Credit carryforward to 2007. If line 29 is less than line 25, subtract line 29 from line 25	30		

Part III Current Year Residential Energy Credits

31	Add lines 12 and 29. Enter here and on Form 1040, line 52, or Form 1040NR, line 47	31		
----	--	----	--	--

General Instructions

Section references are to the Internal Revenue Code.

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.

Who Can Take the Credits

You may be able to take these credits if you made energy saving improvements to your home located in the United States in 2006. For credit purposes, costs are treated as being paid when the original installation of the item is completed, or in the case of costs connected with the construction or reconstruction of your home, when your original use of the constructed or reconstructed home begins. If less than 80% of the use of an item is for nonbusiness purposes, only that portion of the costs that are allocable to the nonbusiness use can be used to determine the credit.

Home. A home includes a house, houseboat, mobile home, cooperative apartment, condominium, and certain manufactured homes that you lived in during 2006.

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.

Special rules. 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. Credits must be allocated based on the ratio of individual qualified costs to total qualified costs in the case of joint occupancy.

Subsidized energy financing. Any amounts provided for by subsidized energy financing cannot be used to take the credits. This is financing provided under a federal, state, or local program. The principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

Nonbusiness Energy Property Credit

You may be able to take a credit equal to the sum of:

1. 10% of the amount paid in 2006 for qualified energy efficiency improvements installed during 2006, and
 2. Any residential energy property costs paid in 2006.
- However, this credit is limited as follows.

- A total accumulated credit limit of \$500 for all tax years.
- An accumulated credit limit of \$200 for windows for all tax years.

• A credit limit for residential energy property costs for all tax years of \$50 for any advanced main air circulating fan; \$150 for any qualified natural gas, propane, or oil furnace or hot water boiler; and \$300 for any item of energy efficient building property.

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 2006 located in the United States if these components are new and can be expected to remain in use for at least 5 years.

- Any insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a home when installed in or on such home.
- Exterior windows (including certain storm windows and skylights).
- Exterior doors (including certain storm doors).
- Any metal roof installed on a home, but only if this roof has appropriate pigmented coatings which are specifically and primarily designed to reduce the heat gain of the home.

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



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 2006 located in the United States. This includes labor costs properly allocable to the onsite preparation, assembly, or original installation of the property. Qualified residential energy property is any of the following.

- Certain electric heat pump water heaters; electric heat pumps; geothermal heat pumps; central air conditioners; and natural gas, propane, or oil water heaters.
- Qualified natural gas, propane, or oil furnaces or 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 performance and quality standards. See Lines 5a Through 5c on page 5 for details.

Joint ownership of qualifying property. If you and a neighbor shared the cost of a qualifying item to benefit each of your main homes, both of you may take the nonbusiness energy property credit. You figure your credit on the part of the cost you paid. The limits on the amount of the credit apply to you separately.

Married taxpayers with more than one main home. If both you and your spouse owned and lived apart in separate main homes, the credit limits would apply to 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.

On the dashed line to the left of the entry space for line 8 of

Complete Part I of a separate Form 5695 for each main home through line 7.

Figure the amount to be entered on line 8 of both forms and enter the combined amount on one of the forms.

In the space above the completed line 8, enter "More than one main home". Then, complete the rest of this form.

Attach both forms to your return.

Joint occupancy. If you owned your home jointly, there are no maximum qualifying costs for insulation, exterior doors, and a metal roof. You would enter the amounts you paid on the appropriate lines of Form 5695. For windows and residential energy property costs, the amount allocable to you is the lesser of:

- The amount you paid, or
- The maximum qualifying costs, 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.

See the instructions for lines 2b, 5a, 5b, and 5c for the maximum qualifying costs.

The rules for joint occupancy also apply to married individuals filing separate returns. These rules do not apply to joint returns.

Residential Energy Efficient Property Credit

You may be able to take a credit of 30% of your costs of qualified photovoltaic property, solar water heating property, and fuel cell property. This includes 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. This credit is limited to:

- \$2,000 for qualified photovoltaic property costs,
- \$2,000 for qualified solar water heating property costs, and
- \$500 for each half kilowatt of capacity of qualified fuel cell property for which qualified fuel cell property costs are paid.

Qualified photovoltaic property costs. Qualified photovoltaic property costs are costs for property that uses solar energy to generate electricity for use in a home located in the United States and used as a home. 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 a home located in the United States and used as a home if at least half of the energy used by the 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 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.

Married taxpayers with more than one home. If you or your spouse lived in more than one home that you used as a home, the credit limits would apply separately to each home. For qualified fuel cell property, the homes must be your main homes. 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.

Complete Part II of a separate Form 5695 for each home through line 24.

Figure the amount to be entered on line 25 of both forms and enter the combined amount on one of the forms.

In the space above the completed line 25, enter "More than one home". Then, complete the rest of this form.

Attach both forms to your return.

Joint occupancy. If you owned or rented your home jointly, the maximum qualifying costs that can be taken into account by all occupants for figuring the credit is \$6,667 for qualified photovoltaic and solar water heating property, and \$1,667 for each half kilowatt of capacity of qualified fuel cell property. The amount allocable to you is the lesser of:

- The amount you paid, or
- The maximum qualifying costs, 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.

Also, the rules for joint occupancy apply to married individuals filing separate returns. These rules do not apply to joint returns.

Specific Instructions

Part I

Nonbusiness Energy Property Credit

Line 1

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

st
om
er/
al
owes
leas
tric
tric
your/
er/

#
Enter/
2
lin
16
20
30
each
his or
her
Solar
10
20
married individuals
9/

Lines 2a Through 2d

Note. Any references to the International Energy Conservation Code (IECC) are treated as references to either the 2001 Supplement of the 2000 International Energy Code or the 2004 Supplement of the 2003 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 a home when installed in or on such home and may be taken into account in determining whether the building thermal envelope requirements established by the IECC are satisfied.



A component is not specifically and primarily designed to reduce heat loss or gain of a 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 heat gain. For more details, see Notice 2006-26 and Notice 2006-53.

Line 2b. Enter the amounts you paid for exterior windows (including any storm windows installed with such exterior windows) and skylights that meet or exceed the criteria established by the IECC for the climate zone in which these components were installed. Do not enter more than \$2,000 on line 2b.

Line 2c. Enter the amounts you paid for exterior doors that meet or exceed the criteria established by the IECC for the climate zone in which such doors were installed. Also, enter the amounts you paid for any storm door that, in combination with a wood door assigned a default U-factor by the IECC, does not exceed the default U-factor requirement assigned to such combination by the IECC.

Line 2d. Enter the amount you paid for a metal roof, but only if this roof has appropriate pigmented coatings which are specifically and primarily designed to reduce the heat gain of the home and such roof meets or exceeds the Energy Star program requirements (as in effect at the time of installation).

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

Special rule for Energy Star windows and skylights. You may rely upon the Energy Star label that identifies any window or skylight as an eligible building envelope component rather than the manufacturer's certification.

Line 5a Through 5c



Also include on lines 5a through 5c any labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

Line 5a. 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 has a heating seasonal performance factor (HSPF) of at least 9, a seasonal energy efficiency rating (SEER) of at least 15, and an energy efficiency rating (EER) of at least 13.
- A closed loop geothermal heat pump that has an EER of at least 14.1 and a heating coefficient of performance (COP) of at least 3.3.
- An open loop geothermal heat pump that has an EER of at least 16.2 and a heating COP of at least 3.6.
- A direct expansion geothermal heat pump that has an EER of at least 15 and a heating COP of at least 3.5.
- A central air conditioner that achieves the highest efficiency tier that has been established by the Consortium of Energy Efficiency and is in effect on January 1, 2006.
- A natural gas, propane, or oil water heater that has an energy factor of at least 0.80.

Do not enter more than \$300 on line 5a.

Line 5b. Enter the amount you paid for a natural gas, propane, or oil furnace or hot water boiler that achieves an annual fuel utilization efficiency rate of at least 95. Do not enter more than \$150 on line 5b.

Line 5c. Enter the amount 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 site energy use of the furnace (as determined in the standard Department of Energy test procedure). Do not enter more than \$50 on line 5c.

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

Line 7

If the rules for joint occupancy apply, enter on line 7 the lesser of:

- (1) The total of lines 4 and 6, or
- (2) \$500 multiplied by a fraction. The numerator is the total of your Form 5695, lines 4 and 6, and the denominator is the total of Forms 5695, lines 4 and 6, for all occupants.

Part II

Residential Energy Efficient Property Credit



Also include on lines 13, 17, or 21, any labor costs properly allocable to onsite preparation, assembly, or original installation of the property and for piping or wiring to interconnect such property to the home.

For more details, see Joint 06-118

5/

5/

in

8/

5/

10

9/20

own

5/

Line 13

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

Line 17

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

Line 21

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

Line 30

If you cannot use all of the credit because of the tax liability limit (line 28 is less than line 25), you can carry the unused portion of the credit to 2007.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.