



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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## Grassley Highlights Consumer Tax Benefits in New Energy Bill

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today said consumers can look forward to new tax incentives to conserve energy in their homes and cars. The tax breaks received final congressional approval with a Senate vote today and now head to the President for his expected signature.

“A lot of people want to save energy and contribute to U.S. energy independence and a cleaner environment,” Grassley said. “An added benefit is that consumers can save money on the cost of heating and cooling their homes and driving their cars by using less energy. The tax incentives in the energy package will help to create a greener America.”

As Finance Committee chairman, Grassley was responsible for the energy tax incentives legislation in the Senate. The energy tax bill contains a series of incentives for the production of alternative energy, such as from wind and biomass, and for conservation and fuel efficiency by individuals and manufacturers. When the energy bill is signed into law, consumers can expect the following tax incentives:

- Up to a \$500 tax credit for money they spend on energy improvements in their homes. Homeowners could qualify for as much as a \$300 credit for installing a highly efficient central air conditioner, heat pump or water heater. Installing energy-saving windows could net as much as a \$200 credit. Those who want to take advantage of these breaks must do so between Jan. 1, 2006 and Dec. 31, 2007. (An income tax credit directly reduces the amount of income tax paid by offsetting other income tax liabilities.)
- A 30 percent tax credit for the purchase of solar, photovoltaic (or solar electric) and fuel cell properties for use in residences.
- More access and lower prices for energy efficient washers, dryers and refrigerators. New tax breaks for the manufacturers of these appliances are expected to increase the items’ availability and drive down their costs for consumers.
- Expanded tax credits for those who buy alternative fuel vehicles, including an expansion of the range of hybrid and clean vehicles that qualify for the alternative motor vehicle tax credit. By purchasing such a car after Jan. 1, 2006, consumers can get a tax credit anywhere from \$500 to \$3,400, depending on the fuel efficiency of the car.

According to media reports, the tax credit for a Toyota Prius, for example, would range anywhere from \$2,500 to \$3,000. Alternative fuel vehicles are becoming more popular and more accessible as consumer purchases increase.

“As consumer demand for alternative energy products increases, it’s important for Congress to help deliver those products,” Grassley said. “I hope this bill is just the beginning of creative ways to improve our environment, economy, and energy independence.”