

# **SALES TAX ON ENERGY STAR HOMES**

## **What is the sales tax on Energy Star homes?**

Under SC law, there is no sales tax on the Energy Star home itself. As is the case with homes meeting South Carolina's energy efficiency standard, furniture and not-built-in appliances and items such as heat pumps, decks, steps, skirting are taxed separately. Reference: 12-36-2110(B)

## **What's the difference between an energy efficient MH and an Energy Star MH?**

An energy efficient home meets the state standards in on the last page. Energy Star homes are built to federal standards set by the Environmental Protection Agency.

## **What are the benefits of the Energy Star standards?**

They not only feature highly-effective insulation and high-performance windows, with tight construction but also energy-efficient heating and cooling equipment.

In other words, specific on-site work is required for the home to qualify as Energy Star. These requirements include tight duct work and a high-efficiency HVAC.

Properly installed insulation that meets or exceeds national code requirements helps achieve even temperatures throughout the house while using less energy. The result is lower utility costs and a quieter, more comfortable home.



**Energy Star certified appliances add to the savings in Energy Star homes.**

**What are the on-site installation requirements for a home to qualify as Energy Star?**

Here are typical requirements that come with an Energy Star home. The requirements may vary by manufacturer.

## **ENERGY STAR CONSTRUCTION REQUIREMENTS**

### **Marriage Line Seal**

The marriage line areas must be filled with a continuous non-porous insulating gasket creating a permanent air barrier at joints in the ceiling, walls and floor. Acceptable gaskets can be one or two-part systems, including proprietary gaskets, foams, insulation wrapped in poly, and insulation covered by butyl or other long-life tape on one side. In addition, there must be no visible signs of gaps or tears.

### **Tears in Bottom Board Material Repaired**

All tears in the bottom board material must be covered and sealed with a durable, permanent patch to prevent air leakage. (Foam sealant can be used on lag bolt and other small holes.)

### **Exterior (Including Crossover) Duct Installation**

For multi-section homes, the exterior ducts must be sealed with a permanent connection per the Manufacturer's Installation Manual. Identify that the following items are completed:

All exterior ducts have been installed and wrapped with insulation.

Crossover collar is secured to the trunk with at least three screws and cannot rotate or move.

All exterior duct insulation is a minimum of R-\_\_\_\_\_.

Nylon or metal straps and saddles are used to support the exterior duct; duct does not touch the ground.

Three or more screws are placed below the straps through the flexible duct and into the crossover collar.

Exterior duct insulation is pushed into the floor cavity and sealed with tape or foam sealant at all bottom board penetrations.

### **Field Installed Heat Pump**

Heating equipment efficiency meets or exceeds the following specification:

HSPF-\_\_\_\_\_.

### **Homes Installed Over Basements (One of the following must be checked)**

\_\_\_This home has an UNHEATED BASEMENT. All interior stairwells from the heated space into the basement are constructed in the same manner as an exterior wall with full insulation and a weather-stripped, insulated exterior door.

\_\_This home has a HEATED BASEMENT. The basement wall insulation level is a minimum of: R-\_\_\_\_\_.

For a sample Energy Star installation checklist, go to [energystar.gov](http://energystar.gov) and type “manufactured home installation checklist” in the search box.

### **What are the paperwork requirements for a home to qualify for the Zero sales tax incentive?**

#### **Retailer Sends These Two Items to the Manufacturer**

- Verify that the *Site Installation Checklist* provided by the manufacturer and shipped with the home is completed and signed. The gray ENERGY STAR quality assurance label affixed inside the home should also be signed.
- Return a copy of the signed *Site Installation Checklist* to the manufacturer.

#### **Manufacturer enters the information on a national Energy Star database.**

#### **Retailer Gives the Customer:**

- Two copies of the bill of sale (clearly showing date of sale) and
- Two copies of the signed *Site Installation Checklist* (must include customer’s name and home address).

#### **What the Customer Does to Qualify for the \$750 income tax credit.**

The customer must forward these items to the SC Energy Office:

- Bill of Sale     Site Installation Checklist
- Energy Star Tax Credit Application Form. The Energy Office address is on the application form.

### **What's the final step?**

The Energy Office checks the national website, approves the Energy Star Tax Credit Application Form (for the \$750 tax rebate) and sends the approval form back to the customer.

### **What the customer does when he or she receives the approved form from the Energy Office.**

The customer should put the approved form with their tax records. When they file their taxes, the form should be included with the tax return.

### **This seems like a lot of hoopla and paperwork.**

After you do it a few times, it gets easy. All the retailer is doing is completing the On-site checklist and giving copies to the manufacturer and customer. Plus you give the customer two bills of sale.

### **This is called a non-refundable tax credit. What's that mean?**

Non-refundable tax credits cannot reduce the tax owed to less than zero.

### **So this income tax credit isn't going to all of my customers.**

Good point. But you need to give them the forms in order to have no sales tax, even if it is a formality.

On the other hand, if the customer probably **is** going to qualify, why not walk them through the process, maybe mail in the paperwork for them. That's the type of service people remember and appreciate that generates referrals.