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## Additional Information for the Energy Tax Credit for Installed items during the Renovation Project for 2009 Tax Year

Dear Ravens Crest East Homeowners,

This letter contains important tax information details, which may provide a benefit when you prepare your 2009 tax returns. This letter addresses frequently asked questions regarding the Energy Tax Credit as it pertains to the Association and Unit Owners. Please refer to the letter dated February 19<sup>th</sup> for more general information. The Board consulted with various professionals to determine the possible tax benefit for homeowners.

As part of the ongoing renovation project, the Association installed several types of energy efficient improvements, which qualify for the Federal “**Nonbusiness Energy Property Credit**”. Under Internal Revenue Code Section 25C(e)(1), as a member of the homeowners association, you are treated as having paid your proportionate share of the cost of these improvements. As such, the amount of improvements, which qualify for the tax credit, which have been allocated to you, should be claimed on IRS Form 5695. This form can be found here: <http://www.irs.gov/pub/irs-pdf/f5695.pdf>

For purposes of completing Form 5695, your share of the cost of the following items are listed below:

2009 Tax Year	One-Bedroom Units	Two-Bedroom Units	Instructions
Insulation material	\$ 41.41	\$ 47.37	Insert on Form 5695, Part I, line 2a
Exterior doors	\$ 139.78	\$ 159.89	Insert on Form 5695, Part I, line 2c

The table below details how the above numbers were determined:

Product	Manufacturer	2009 Installed Units	Material Cost	2009 Value	One Bedroom Share	Two Bedroom Share
<b>Front Entry Doors</b>	ThermaTru	<b>196</b>	<b>210.00</b> Per Door	\$41,160.00	<b>62.93</b>	<b>71.99</b>
<b>Utility Door</b>	ThermaTru	<b>154</b>	<b>237.65</b> Per Door	\$36,598.10	<b>55.96</b>	<b>64.01</b>
<b>Custom Utility Door</b>	ThermaTru	<b>36</b>	<b>283.80</b> Per Door	\$10,216.80	<b>15.62</b>	<b>17.87</b>
<b>Full Lite Door</b>	ThermaTru	<b>12</b>	<b>286.85</b> Per Door	\$3,442.20	<b>5.26</b>	<b>6.02</b>
<b>Total Exterior Doors</b>				\$91,417.10	<b>139.78</b>	<b>159.89</b>
<b>Tyvek Building Wrap</b>	Tyvek	<b>196</b>	<b>27,082.40</b> 2009 Total	\$27,082.40	<b>41.41</b>	<b>47.37</b>
<b>Total Insulation Material</b>				\$27,082.40	<b>41.41</b>	<b>47.37</b>
<b>Storm Doors</b>	Larson		<b>208.90</b> Per Door			

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### **Frequently Asked Questions:**

#### **Why aren't the windows, sliding doors and other items included in the above calculations?**

Our professionals conducted research on the various items used during the Renovation Project to determine which items were eligible for the Energy Tax Credit. The ones listed above are manufacturers who had eligible compliant products and provided certifications. Unfortunately, items such as the windows, sliding doors, skylights and vinyl/fiber cement siding were not eligible. As you know the Association purchased the windows and sliding doors in advance which resulted in a large savings to homeowners. As such, these windows and doors were purchased in January 2008 at a point when the energy tax credit program was not contemplated at the time.

#### **My unit was renovated in 2008, how come I may be eligible for the Energy tax credit for tax year 2009?**

Since the eligible products were purchased by the Association, and installed in 2008 and 2009, homeowners may get to declare their share of the Association's 2009 expense on their tax return. The material cost of the products installed in 2009 is shared among all homeowners regardless of when their particular unit was renovated. The amount of your proportionate share has been determined based on your ownership percentage in the Association.

#### **My unit was renovated in 2009, why can't I declare the full amount of the items installed in my unit?**

While the renovations may have occurred in your unit in 2009, the expense was paid for by the Association under the IRS tax code and thus is shared with all homeowners of the Association regardless of when their particular unit was renovated. All of the eligible 2009 expenses are shared across all homeowners. The amount of your proportionate share has been determined based on your ownership percentage in the Association.

#### **Why are the amounts different for one-bedroom and two-bedroom units?**

As stated in the previous two questions, your share of the eligible Association expenses are based on your percentage of interest in the Association. For one-bedroom units your share is 0.1529% (or 0.001529) and for two-bedroom units your share is 0.1749% (or 0.001749) of the total eligible Association expense.

#### **I am a unit investor or this is not my primary home, can I take advantage of the credit?**

The energy tax credit that pertains to the Association installed items was designed for property owners where the energy improvements were made to their primary residence (your "home"). Please consult your tax advisor for more information.

#### **I replaced my Heating, Ventilation and Air Conditioning (HVAC) unit in 2009, can I take advantage of this credit?**

The energy tax credit has a maximum benefit of \$1,500 shared between 2009 and 2010 for HVAC units and other certain property improvements. Depending on how much your tax credit is for the HVAC (i.e. you received the full \$1,500) will determine if you can apply any of the Association installed items.

#### **I moved in or moved out in 2009, how does this effect what I can declare?**

You would be able to declare the amount of the tax credit based on the number of days you owned and resided in the unit. For example if you moved in July 1, 2009, you would be able to declare 50% of the value for the unit and the previous homeowner would declare the other 50% for the previous 6 months.

**Why is the amount not the full amount I paid for installing the doors?**

The energy tax credit only covers material cost and does not cover labor or installation costs. Additionally, only qualifying products installed in 2009 are eligible and all homeowners in the Association share that amount.

**The Utility Doors and Full-lite Doors are being upgraded to fiberglass in 2010, how does that affect the tax credit?**

The Board, after discussions with the engineering firm, elected to upgrade the doors from steel to fiberglass to mitigate issues with those specific types of doors. The manufacturer, ThermaTru is replacing them under warranty due to material defect, however the upgrade to fiberglass was \$44,000 extra and is not covered under the warranty. Fiberglass doors are more durable and will not have the rusting issues that were observed on these doors. The \$44,000 will come out of the Renovation Project contingency fund and homeowners will not have to pay anything additional for this expense. The \$44,000 is only for material cost as our contractor will do the labor to replace the units for free as they needed to replace the doors for warranty reasons. Since the doors were placed in service in 2008 and 2009, only the value of the 2009 installations of the defective doors can be declared on the 2009 tax returns. However, the full \$44,000 for the cost of the fiberglass upgrade for all doors will be split among all homeowners for tax year 2010 since that is the year they have or will be installed.

**I obtained a storm door during the Renovation Project, can I declare that?**

If you purchased a Larson Storm Door through the Association and was installed in 2009, you may be eligible to declare the full material cost of the storm door. Since this was not an Association purchased item, unit owners who purchased these optional doors can declare \$208.90 on their tax returns. This number should be added to your share of the Association costs for all other exterior doors (Part 1, line 2c).

**I bought a storm door on my own, can I declare the material cost for that?**

If you installed it in 2009 or 2010, you will need to contact the manufacturer to see if it is compliant with the Energy Tax Credit requirements. You will only be able to declare the material cost if it is eligible.

**Do I need to attach the product certifications to my tax return?**

No, you do not need to send the product energy tax credit certifications with your tax return. However, you may want to retain a copy in the event you are audited. You should also keep a copy of the Association letter which lists your share of eligible expenses sent on February 19<sup>th</sup> for your records. The certifications are posted on the Association's website: [www.RavensCrestEast.com](http://www.RavensCrestEast.com)  
Look under Documents > General

**Will I receive a letter in 2011 for tax credits relating to the fiberglass door Upgrades in 2010?**

Yes, you will receive a similar letter with your unit's share of tax information for the material cost of the fiberglass utility and full-lite door upgrades performed in 2010. The letter will be sent in 2011.

**What if I filed my 2009 tax return already?**

Tax payers can file an amended tax return for any changes that occur. Consult your tax advisor for more information.

Sincerely,

Board of Directors, Ravens Crest East at Princeton Meadows Condominium Association, Inc.