Keep Old Man Winter at Bay

Energy upgrades offer a double payoff, thanks to tax credits

By Marianne Lavelle

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Money invested today in home energy improvements could pay dividends both at tax time and in lower future utility bills. But Sandy Porter, general manager of Elk Remodeling in Fairfax, Va., which specializes in high-efficiency windows and insulated siding, says most customers don't consider the potential payoffs. "They just come looking for replacements because their windows are 20 to 30 years old and they're starting to feel the draft coming through," she says. "It's only after the fact that I get the phone calls from people saying, 'Hey, you saved me $300 on my gas bill.'"

Homeowners can slice their annual energy costs by a third or even half-more in colder climates-if they make their living spaces more airtight, use more-efficient appliances and lighting, and better maintain their heating and cooling systems, federal studies show. And Uncle Sam, hoping to curb wasteful energy use, will throw in an extra bonus: There's a tax credit of up to 10 percent on the cost of most home energy upgrades made in 2006 or 2007.

Some low-cost steps can pay for themselves in less than a year. Install a programmable thermostat, which costs $60 to $150, and you can save 10 percent on energy bills by adjusting temperature down when no one is home. Another 10 percent can be saved by caulking, sealing, and weatherstripping the home's seams, cracks, and openings to the outside. Two common trouble spots: around electrical outlets and recessed lighting in ceilings.

The federal government's Home Energy Saver website designed by the Lawrence Berkeley National Laboratory has a neat trick for testing airtightness with a lit incense stick. If the smoke stream indoors is horizontal on a windy day, buy some caulk.

A tougher decision for most homeowners is whether to put big money toward energy savings-replacing windows and appliances and adding to attic and wall insulation. It all depends on the individual home's age and condition; some utilities can help with energy audits.

The highest-efficiency windows pay for themselves in 6½ years, studies show, but someone upgrading from old single-pane windows could see savings substantially sooner. High-efficiency water heaters, heating, and air conditioning can also pay off handsomely.