

DEPARTMENT OF STATE REVENUE

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Income Tax
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SUBJECT: Insulation Deduction

REFERENCE: [IC 6-3-2-5](#)

INTRODUCTION

A taxpayer is entitled to an Indiana income tax deduction on the materials and labor used to install insulation in a taxpayer's principal place of residence in Indiana. This bulletin discusses the requirements to qualify for this deduction.

I. Insulation Defined

Insulation is any material commonly used in the building industry for the sole purpose of controlling the passage of heat energy into or out of a building. This deduction includes the following forms of insulation: material made from fiberglass, rock wool, cellulose, Styrofoam, urea-based foam urethane, vermiculite, perlite, polystyrene, reflective insulation, extruded polystyrene foam, blown-in insulation, rolled insulation, sheet Styrofoam insulation, and wrap insulation. Other materials that qualify for this deduction include weather stripping, storm windows, storm doors, thermal pane windows, and caulking. The following materials do not qualify for the insulation deduction: automatic setback thermostats, flue opening modifications, mechanical furnace ignition systems, solar energy equipment (such as collectors, rock beds, and heat exchangers), wind energy equipment (such as windmills), geothermal energy equipment, furnace replacement burners, meters, wood burning stoves, sky lights, heat pumps, and temporary plastic window coverings.

Also note that materials which are primarily structural or decorative do not qualify for this deduction, even though these materials may have been designed, in part, to achieve an insulating effect. Such materials include carpeting, drapes, fluorescent replacement lighting systems, swimming pools used to store energy, or residential siding.

II. Requirements Regarding Installation of Insulation

Insulation must be installed through one of the following applications to qualify for this deduction:

- 1. Ceiling insulation.** Ceiling insulation is insulation installed within the enclosed walls of a principal residence or insulation installed between unheated attic space and the top level of a principal residence.
- 2. Wall insulation.** Wall insulation is insulation installed in the surface of an exterior wall or in the cavity of an exterior wall.
- 3. Floor insulation.** Floor insulation is insulation installed under the first level of heated space in a residence.
- 4. Roof insulation.** Roof insulation is insulation installed on the surface of the roof facing the residential interior.
- 5. Hot bare pipe and ductwork insulation.** Hot bare pipe and ductwork insulation is insulation installed around the exterior of pipes and ductwork.
- 6. Exterior insulation for a hot water heater.** Exterior insulation for a hot water heater is insulation placed around the exterior of a hot water heater tank.

III. Other Requirements

Insulation or insulation-related materials must also meet the following requirements to qualify for this deduction:

1. The materials must be installed in the taxpayer's principal place of residence in Indiana. If the taxpayer's principal residence is a rental property, the deduction is available only if the costs incurred for insulation are

not reimbursed by the landlord.

2. The portion of the residence being insulated must have been built at least three years prior to the taxable year for which the deduction is taken. For example, if a taxpayer claims an insulation deduction in 2002, the portion of the residence where the insulation was installed must have been built before 1999.

3. The materials must be new and not used as a replacement for other material. Materials replacing broken or worn-out materials do not qualify for this deduction.

4. The deduction must be taken for the tax year during which the materials were installed. For example, if the insulation was installed during 2009, the deduction must be taken for the 2009 tax year.

5. The taxpayer must submit with the Indiana tax return invoices that document the cost of labor and materials used in installing the insulation. These invoices must also provide the names and addresses of the persons who performed the labor in installing the insulation. No labor charge is allowed for items installed by the taxpayer at his or her principal place of residence.

Dollar Limitations

The insulation deduction is limited to the cost of the insulation (including installation costs) or one thousand dollars (\$1,000), whichever is less. Excess costs may not be carried forward to subsequent tax years.

John Eckart
Commissioner

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