

IRS Guidance on Tax Credit for Purchase of Biomass Stoves

On June 1, 2009, the Internal Revenue Service (IRS) finally issued its guidance for the 30% consumer tax credit (up to \$1500) for the purchase and installation of a 75-percent efficient biomass-burning stove.

In a letter to the IRS in February 2009, HPBA asked for specific guidance on a number of issues, but we are confident that this minimal guidance is sufficient. We understand that the IRS is not asking for further testing if a stove manufacturer has already self-certified using valid test data.

Some important points of the tax credit are:

- To be considered, a stove must use the burning of biomass fuel to heat a dwelling unit or to heat water for use in such a dwelling unit, and have a thermal efficiency rating of at least 75% as measured using a lower heating value;
- Installation is covered, as long as it is a requirement for the stove's proper and safe functioning;
- This consumer tax credit is 30% (up to \$1500) for the purchase and installation of a 75% efficient stove, and is available in **both** 2009 and 2010;
- The tax credit is an aggregate, i.e., the total \$1500 can include other energy efficient items. For instance, if a consumer claims \$900 on a new stove, then he will have \$600 to purchase additional energy saving products in the same tax year;
- If a taxpayer uses the entire \$1500 tax credit on a competing product then they cannot use it for a biomass stove in that same tax year;
- This credit applies only to **existing** principle residences;
- Manufacturers must provide a certificate of qualification for each product as required in the guidance which can be obtained for the customer to use;
- Taxpayers must retain the certification statement for tax recordkeeping purposes, but the certification is not required to be attached to the tax return;
- Prior purchases made between January 1, 2009, and June 1, 2009 are covered if the manufacturer offers a certificate of qualification for the product;
- If a manufacturer has documentation that a stove has already achieved the required efficiency rating, no further testing is required;
- The IRS has not stated that inserts are covered, or are not covered, but based on EPA's practice of treating inserts and freestanding biomass stoves in a similar fashion, manufacturers may choose to include inserts.

If you would like to read the entire guidance, IRS Notice 2009-53, Non-business Energy Property, it can be found on www.hpba.org or at www.irs.gov/pub/irs-drop/n-09-53.pdf.

Overall, this tax credit is an outstanding achievement for the biomass stove industry and will clearly increase demand for the products. **Please consult your tax advisor if you have ANY questions about how this measure applies to your particular circumstance. More information on this tax credit will be made available as it is learned.** June 2, 2009