

Wood and Pellet Heater Investment Tax Credit

What do consumers need to know?



A New Tax Credit for Modern Wood & Pellet Heat

The Wood and Pellet Heater Investment Tax Credit was first established by legislation enacted at the end of 2020, creating a new tax credit under Sec. 25(D) of the tax code.



This new credit covers:

- 26 percent of purchase AND installation costs (with no limit) in **2021 and 2022**
- 22 percent of purchase AND installation costs (with no limit) in **2023**

What qualifies?

- Purchased and installed between January 1, 2021 and December 31, 2023 in a new or existing home (primary or secondary home)
- The wood heater burns biomass as a fuel, heats air or water, and is at least 75 percent efficient per the higher heating value (HHV) of the fuel
- Both purchase and installation costs (venting and related materials; onsite labor) can be included in your total cost

Credit Carryforward

The residential energy property credit is nonrefundable. A nonrefundable tax credit allows taxpayers to lower their tax liability to zero, but not below zero.

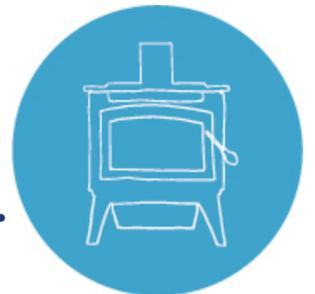
A taxpayer may carry the Sec. 25(D) credit forward to future tax years to further reduce tax liability in future years.

How to find qualifying stoves

- Look at the EPA certified wood heaters database
bit.ly/EPAcertifiedstoves
- Visit your local hearth retailer to find a qualifying heater
www.hpba.org/Resources/Store-Locator

What paperwork you should keep for tax records

- Purchase receipt, including cost of product and installation
- The manufacturer certificate stating that the stove qualifies for the credit and is at least 75 percent efficient HHV



How to claim the Sec. 25(D) credit

- Claim the credit on your federal income tax return in the year in which product installation was complete.
- **File Via Tax Software:** Located in the "credits" section of the Federal portion under home ownership and residential energy credit.
- **File Via U.S. Mail:** This credit would be claimed on line 5 of IRS form 5695 under "Residential Energy Efficient Property Credit."

Purchased a qualifying heater in a previous tax year?

- If you made a qualifying purchase and installation in a previous tax year, before January 1, 2021, and you want to claim a credit, you likely will have to file an amended return to claim to older Sec. 25(C) tax credit. The new Sec. 25(D) credit is not retroactive. It is only for purchases and installations made after December 31, 2020. You can file an amended return for previous tax years using IRS form 1040X.

www.irs.gov/forms-pubs/about-form-1040x

Learn more at
bit.ly/StoveTaxCredit