Green Legislative Efforts

Hearth, Patio & Barbecue Expo

2009 Tax Credit

New Information

If you have recently purchased an energy efficient product like a biomass-burning stove, you could be eligible for a federal tax credit. The IRS has recently released the tax form in which to claim this credit. To know whether your recent biomass-burning stove can be claimed with this credit, please read the information below or feel free to contact HPBA Government Affairs Department at governmentaffairs@hpba.org.

Important Details

On February 17, 2009 President Obama signed into law, H.R. 1, the American Recovery and Reinvestment Act (ARRA). The Hearth, Patio & Barbecue Association (HPBA) and the Pellet Fuels Institute (PFI) succeeded in getting included in that critical legislation a tax credit for the purchase of a biomass-burning stove to help consumers fight rising home heating costs.

The tax credit is a 30% tax credit of up to $1500 total over a two year period (2009-2010) for the purchase of a 75% efficient biomass-burning appliance. (The "$1500 over two-years" is new!) The tax credit provisions are extended improvements on the legislation that passed in October 2008. The major changes are: 1) an extension of the credit to include 2010; 2) the increase on the credit from $300 to 30% of the total cost; and 3) the lower heating value (LHV) will be used for the efficiency rating rather than the higher heating value (HHV)

In a letter to the IRS in February 2009, the HPBA asked the IRS to issue specific guidance on a number of issues on the tax credit. On June 1, 2009, the Internal Revenue Service (IRS) issued its guidance for this consumer tax credit. While not addressing many of the specific issues raised by the HPBA, this minimal guidance should be sufficient. We understand that the IRS is not expected to issue any further guidance on this tax credit, although HPBA staff will continue to ask for clarifications as needed.

What is the Biomass-Burning Stove Tax Credit?

This federal tax credit encourages people to make energy-conscious purchases that improve the energy efficiency of their home. It is an up to $1,500 credit you can get for buying a qualifying biomass-burning stove or fireplace insert between January 1, 2009 and December 31, 2010. Biomass simply means the stove uses wood or pellet fuel.

Consumers claim the credit on their federal income tax form at the end of the year. This new credit reduces the amount of tax you owe. The new credit is a reduction of total income tax at the bottom of your return, up to $1500. This tax credit is a non-refundable tax credit available for individuals who pay taxes and who make energy-conscious purchases to improve the energy efficiency of their home.

Note: With regard to tax credits vs. tax deductions, in general, a tax credit is more valuable than a similar tax deduction. A tax credit reduces the tax you pay, dollar-for-dollar. Tax deductions - such as those for home mortgages and charitable giving - lower your taxable income.

What is the difference between a tax deduction and a tax credit?

As previously stated, a deduction is an expense or amount you can subtract from your taxable income. A tax credit lowers your actual tax bill dollar-for-dollar; in this case by up to $1,500. In general, a tax credit is more valuable than a similar tax deduction.

What is the difference between a non-refundable tax credit and refundable tax credit?

A non-refundable tax credit (such as this one) is a tax credit that is applied to the amount of tax owed by the taxpayer after all deductions are made from his or her taxable income. Typically, a tax credit only reduces an individual's tax liability to zero. Refundable credits can be considered the same as a payment, with no limit to the amount a taxpayer can receive. A refundable tax credit is a tax credit that is not limited by the amount of an individual's tax liability.

When does this tax credit go into effect and how long will it last?

The tax credit went into effect January 1, 2009 and is valid only for the purchase of a qualifying biomass stove during 2009 and 2010. The maximum tax credit for the two-year period is $1500. The sales receipt must indicate that the purchase was made between January 1, 2009 and December 31, 2010.

How is the value of this tax credit determined?

When you buy a qualifying biomass-burning appliance between January 1, 2009 and December 31, 2010, you get a tax credit of 30% of the total price, up to $1,500 dollars. So, for example, if your wood or pellet stove cost $5,000 (which can include installation), you can deduct $1,500 from the taxes you owe the government.

What appliances qualify for the tax credit?

Any wood- or pellet-burning stove that meets the 75% efficiency rating qualifies for this credit.

Manufacturers test their products to certify they meet this efficiency standard and the IRS-required certification will come with the product straight from the appliance manufacturer. Visit your local specialty retailer who can explain which products they have will qualify for the tax credit.

Why was 75% efficiency selected?

The 75% efficiency was designated by the U.S. Congress in 2005 as part of the Energy Policy Act and was used again for this tax credit. Are biomass stoves installed in new or vacation homes covered by this tax credit?

How is the 75% efficiency requirement determined?

The manufacturer of the stove must provide certification that the product tests for at least a 75% efficiency rating using the lower heating value, i.e., the heat value of a combustion process assuming that none of the water vapor resulting from the process is condensed out, so that its latent heat is not available.

Are biomass stoves installed in new or vacation homes covered by this tax credit?

No. The credit only applies to your existing principal residence. New homes and vacation homes don't qualify, nor do homes owned as rental units. The IRS is very clear that this credit applies only to existing principal residences, thus new homes and vacation homes would not qualify, nor would homes owned as rental units.

What is meant by "renewable biomass?"

For the purposes of this tax credit, the term 'renewable biomass' means any of the following:

(A) Materials, pre-commercial thinnings, or removed invasive species from National Forest System land and public lands, including those that are byproducts of preventive treatments (such as trees, wood, brush, thinnings, chips, and slash), that are removed as part of a federally recognized timber sale, or that are removed to reduce hazardous fuels, to reduce or contain disease or insect infestation, or to restore ecosystem health, and that are harvested in environmentally sustainable quantities, as determined by the appropriate federal land manager; and harvested in accordance with federal and state law, and applicable land management plans.

(B) Any organic matter that is available on a renewable or recurring basis from non-federal land or land belonging to an Indian or Indian Tribe that is held in trust by the United States, including renewable plant material like feed grains; other agricultural commodities; other plants and trees; and algae; and waste material, including crop residue; other vegetative waste material (including wood waste and wood residues); animal waste and byproducts (including fats, oils, greases, and manure); construction waste; and food waste and yard waste.

(C) Residues and byproducts from wood, pulp, or paper products facilities.

What is the definition of a "Wood Burning Furnace?"

A wood burning furnace is a simply a furnace type that uses wood as its primary fuel source. In some cases, a wood furnace can simply use radiant heat in order to control environmental conditions in the home, or it can be a forced-air furnace. Forced-air furnaces force air into the furnace, heat it up, and then force the heated air into the ducts for distribution throughout the home. This is also known as central heating. In a sense, a fireplace can also be considered a wood burning furnace.

Will other wood and solid-fuel appliances (like inserts, EPA-certified wood-burning fireplaces and hydronic heaters) qualify for the tax credit?

The IRS did not state that inserts are covered, or are not covered. However, based on EPA's practice of treating inserts and freestanding biomass stoves in a similar fashion, manufacturers may choose to include inserts. At the time (June 2009) it is not clear whether EPA-certified wood-burning fireplaces or hydronic heaters will qualify.

If a consumer purchases other products, such as solar collectors or window upgrades, does this mean a biomass stove tax credit can't be taken?

The tax credit is an aggregate, meaning the 2-year $1500 total credit can be used for items other than biomass stoves, such as windows and doors, HVAC and non-solar water heater upgrades, and roof upgrades, all of which are in the same tax credit category as biomass stoves. The tax credit for all of these upgrades is capped at $1500 for the two year period. For example, if a taxpayer uses the entire $1500 for a product in 2009, then they cannot use it in 2010 for any other product in that same tax credit category.

How do I ensure that I can collect on my tax credit?

Save your receipt that proves you purchased the qualifying appliance between January 1, 2009 and December 31, 2010. You'll also need a manufacturer's certification statement that states your product meets the 75% efficiency rating needed to qualify for this tax credit.

A **manufacturer's certification statement** must contain the following information:

- The name and address of the manufacturer.
- Identification of the class of qualified energy property (Biomass-Burning Stove) in which the property is included.
- The make, model number and any other appropriate identifiers of the stove.
- A statement that the product is an eligible qualified energy property.
- A manufacturer's certification statement must contain a declaration, signed by a person currently authorized to bind the manufacturer in these matters, in the following form: "Under penalties of perjury, I declare that I have examined this certification statement, and to the best of my knowledge and belief, the facts are true, correct, and complete."

These documents don't need to be attached to your tax return, but you should keep them for your records.

What should a retailer provide and the customer retain for tax purposes?

Retailers and consumers must keep exact records of any sale or purchase. Retailers should provide a consumer with the manufacturer's certification statement for the specific product model purchased. A consumer may rely on a manufacturer's certification statement that their products are qualified energy property. A taxpayer is not required to attach the certification statement to the return on which the credit is claimed. A consumer claiming a credit for qualified energy property should retain the certification statement as part of the taxpayer's records. Manufacturers should make this certification document available to the consumers on the web, in the product packaging, or in some other easily accessible manner.

Are installation costs included in this tax credit?

Yes. Installation costs are included as long as professional installation is required for the proper and safe operation of the stove. The IRS is silent on the possible need to replace a chimney when upgrading an existing biomass stove; however, the EPA has a section on its website titled, Installation Affects Efficiency, which retailers and consumers should consult when deciding if a chimney replacement is warranted when installing a biomass stove.

Does the stove need to be manufactured in the U.S. to qualify for the credit?

No. There is no "Buy America" component to this tax credit.

HPBA Hearth, Patio & Barbecue Association

Form **5695** — Residential Energy Credits

Department of the Treasury, Internal Revenue Service — ▶ See instructions. ▶ Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074 — 2009 — Attachment Sequence No. **158**

Your social security number

Before You Begin Part I: Figure the amount of any credit for the elderly or the disabled you are claiming.

Part I Nonbusiness Energy Property Credit (See instructions before completing this part.)

1 Were the qualified energy efficiency improvements or residential energy property costs for your main home located in the United States? (see instructions) ▶ ☐ Yes ☐ No

Caution: *If you checked the "No" box, you cannot claim the nonbusiness energy property credit. Do not complete Part I.*

2 Qualified energy efficiency improvements (see instructions):
a Insulation material or system specifically and primarily designed to reduce the heat loss or gain of your home . . . 2a
b Exterior windows (including certain storm windows) and skylights . . . 2b
c Exterior doors (including certain storm doors) . . . 2c
d Metal roof with appropriate pigmented coatings, or asphalt roof with appropriate cooling granules, that are specifically and primarily designed to reduce the heat gain of your home, and the roof meets or exceeds the Energy Star program requirements in effect at the time of purchase or installation . . . 2d
3 Residential energy property costs (see instructions):
a Energy-efficient building property . . . 3a
b Qualified natural gas, propane, or oil furnace or hot water boiler . . . 3b
c Advanced main air circulating fan used in a natural gas, propane, or oil furnace . . . 3c
4 Add lines 2a through 3c . . . 4
5 Multiply line 4 by 30% (.30) . . . 5
6 Maximum credit amount. (If you jointly occupied the home, see instructions) . . . 6 $1,500
7 Enter the smaller amount of line 5 or line 6 . . . 7
8 Enter the amount from Form 1040, line 46, or Form 1040NR, line 43 . . . 8
9 Enter the total, if any, of your credits from Form 1040, lines 47 through 50, and Schedule R, line 23, or Form 1040NR, lines 44 through 48 . . . 9
10 Subtract line 9 from line 8. If zero or less, **stop.** You cannot take the nonbusiness energy property credit . . . 10
11 **Nonbusiness energy property credit.** Enter the smaller of line 7 or line 10 . . . 11

For Paperback Reduction Act Notice, see instructions. Cat. No. 12940F Form **5695** (2009)

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Before You Begin Part II: Figure the amount of any of the following credits you are claiming.
- Credit for the elderly or the disabled.
- District of Columbia first-time homebuyer credit.
- Alternative motor vehicle credit.
- Qualified plug-in electric vehicle credit.
- Qualified plug-in electric drive motor vehicle credit.

Part II Residential Energy Efficient Property Credit (See instructions before completing this part.)

Note. *Skip lines 12 through 21 if you only have a* ***credit carryforward from 2008.***

12 Qualified solar electric property costs . . . 12
13 Qualified solar water heating property costs . . . 13
14 Qualified small wind energy property costs . . . 14
15 Qualified geothermal heat pump property costs . . . 15
16 Qualified fuel cell property costs . . . 16
17 Multiply line 16 by 30% (.30) . . . 17

Who Can Take the Credits

You may be able to claim the credits if you made energy saving improvements to your home located in the United States in 2009. For credit purposes, costs are treated as being paid when the original installation of the item is completed, or in the case of costs connected with the construction or reconstruction of your home, when the building is installed or acquired. For purposes of these credits, the "cost" of the use of an item is for nonbusiness purposes, only that portion of the costs that are allocable to the nonbusiness use can be used to determine the credit.

Home. A home is where you lived in 2009 and can include a house, houseboat, mobile home, cooperative apartment, condominium, and a manufactured home that conforms to Federal Manufactured Home Construction and Safety Standards.

You must reduce the basis of your home by the amount of any credits allowed.

Main home. Your main home is generally the home where you live most of the time. A temporary absence due to special circumstances, such as illness, education, business, military service, or vacation, will not end your main home.

Special rules. If you are a member of a condominium management association for a condominium you own or a tenant-stockholder in a cooperative housing corporation, you may include your proportionate share of any costs of such association or corporation.

If you received a subsidy from a public utility for the purchase or installation of an energy conservation product and that subsidy was not included in your gross income, you cannot include the amount of the subsidy in the cost of that subsidy before you compute your credit. This rule also applies if a third party (such as a contractor) receives the subsidy on your behalf.

Nonbusiness Energy Property Credit

You may be able to take a credit of 30% of the costs paid or incurred in 2009 for any qualified energy efficiency improvements and any residential energy property costs. The credit is limited to a total of $1,500 for tax years 2009 and 2010.

Qualified energy efficiency improvements. Qualified energy efficiency improvements are any energy efficient building envelope component you put on or in your main home that you owned during 2009 located in the United States if the original use of the component begins with you and the component can be expected to remain in use at least 5 years.

- Any insulation material or system that is specifically and primarily designed to reduce heat loss or gain of a home when installed in or on such a home.
- Exterior windows (including certain storm windows and skylights).
- Exterior doors (including certain storm doors).
- Any metal roof with appropriate pigmented coatings, or asphalt roof with appropriate cooling granules, that are specifically and primarily designed to reduce the heat gain of your home, and the roof meets or exceeds the Energy Star program requirements in effect at the time of purchase or installation.

For purposes of figuring the credit, do not include amounts paid for the onsite preparation, assembly, or original installation of the property.

To qualify for the credit, qualified energy efficiency improvements must meet certain energy efficiency requirements. See Lines 2a Through 2d on page 4 for details.

Residential energy efficient property credit. The annual maximum credit for qualified solar electric property, qualified solar water heating property, and geothermal heat pump property costs. For more details, see *Residential Energy Efficient Property Credit* on this page.

Purpose of Form

Use Form 5695 to figure and take your residential energy credits. The residential energy credits are:
- The nonbusiness energy property credit, and
- The residential energy efficient property credit.

Also use Form 5695 to take any residential energy efficient property credit carryforward from 2008.

Who Can Take the Credits

You may be able to claim the credits if you made energy saving improvements to your home located in the United States in 2009. For credit purposes, costs are treated as being paid when the original installation of the item is completed, or in the case of costs connected with the construction or reconstruction of your home, when the building is installed or acquired. For purposes of these credits, the "cost" of the use of an item is for nonbusiness purposes, only that portion of the costs that are allocable to the nonbusiness use can be used to determine the credit.

Home. A home is where you lived in 2009 and can include a house, houseboat, mobile home, cooperative apartment, condominium, and a manufactured home that conforms to Federal Manufactured Home Construction and Safety Standards.

You must reduce the basis of your home by the amount of any credits allowed.

Main home. Your main home is generally the home where you live most of the time. A temporary absence due to special circumstances, such as illness, education, business, military service, or vacation, will not end your main home.

Special rules. If you are a member of a condominium management association for a condominium you own or a tenant-stockholder in a cooperative housing corporation, you may include your proportionate share of any costs of such association or corporation.

If you received a subsidy from a public utility for the purchase or installation of an energy conservation product and that subsidy was not included in your gross income, you cannot include the amount of the subsidy in the cost of that subsidy before you compute your credit. This rule also applies if a third party (such as a contractor) receives the subsidy on your behalf.

Nonbusiness Energy Property Credit

You may be able to take a credit of 30% of the costs paid or incurred in 2009 for any qualified energy efficiency improvements and any residential energy property costs. The credit is limited to a total of $1,500 for tax years 2009 and 2010.

Qualified energy efficiency improvements. Qualified energy efficiency improvements are any energy efficient building envelope component you put on or in your main home that you owned during 2009 located in the United States if the original use of the component begins with you and the component can be expected to remain in use at least 5 years.

- Any insulation material or system that is specifically and primarily designed to reduce heat loss or gain of a home when installed in or on such a home.
- Exterior windows (including certain storm windows and skylights).
- Exterior doors (including certain storm doors).

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General Instructions

Section references are to the Internal Revenue Code.

What's New

Nonbusiness energy property credit. The nonbusiness energy property credit has been reinstated for qualified property placed in service in 2009 and 2010. The credit is 30% of the cost of qualified property paid or incurred in 2009 and 2010. The credit has been expanded to include certain biomass fuel stoves and asphalt roofs. For more details, see *Nonbusiness Energy Property Credit* below.

Residential energy efficient property credit. The annual maximum credit for qualified solar electric property, qualified solar water heating property, and geothermal heat pump property costs. For more details, see *Residential Energy Efficient Property Credit* on this page.

Purpose of Form

Use Form 5695 to figure and take your residential energy credits. The residential energy credits are:
- The nonbusiness energy property credit, and
- The residential energy efficient property credit.

Also use Form 5695 to take any residential energy efficient property credit carryforward from 2008.

Who Can Take the Credits

You may be able to claim the credits if you made energy saving improvements to your home located in the United States in 2009. For credit purposes, costs are treated as being paid when the original installation of the item is completed, or in the case of costs connected with the construction or reconstruction of your home, when the building is installed or acquired. For purposes of these credits, the "cost" of the use of an item is for nonbusiness purposes, only that portion of the costs that are allocable to the nonbusiness use can be used to determine the credit.

Home. A home is where you lived in 2009 and can include a house, houseboat, mobile home, cooperative apartment, condominium, and a manufactured home that conforms to Federal Manufactured Home Construction and Safety Standards.

You must reduce the basis of your home by the amount of any credits allowed.

Main home. Your main home is generally the home where you live most of the time. A temporary absence due to special circumstances, such as illness, education, business, military service, or vacation, will not end your main home.

Special rules. If you are a member of a condominium management association for a condominium you own or a tenant-stockholder in a cooperative housing corporation, you may include your proportionate share of any costs of such association or corporation.

If you received a subsidy from a public utility for the purchase or installation of an energy conservation product and that subsidy was not included in your gross income, you cannot include the amount of the subsidy in the cost of that subsidy before you compute your credit. This rule also applies if a third party (such as a contractor) receives the subsidy on your behalf.

Nonbusiness Energy Property Credit

You may be able to take a credit of 30% of the costs paid or incurred in 2009 for any qualified energy efficiency improvements and any residential energy property costs. The credit is limited to a total of $1,500 for tax years 2009 and 2010.

Qualified energy efficiency improvements. Qualified energy efficiency improvements are any energy efficient building envelope component you put on or in your main home that you owned during 2009 located in the United States if the original use of the component begins with you and the component can be expected to remain in use at least 5 years.

- Any insulation material or system that is specifically and primarily designed to reduce heat loss or gain of a home when installed in or on such a home.
- Exterior windows (including certain storm windows and skylights).
- Exterior doors (including certain storm doors).

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Qualified solar electric property costs. Qualified solar electric property costs are costs for property that uses solar energy to generate electricity for use in your home located in the United States. This includes costs relating to a solar panel or other property installed as a roof or a portion of a roof. The home does not have to be your main home.

Qualified solar water heating property costs. Qualified solar water heating property costs are costs for property to heat water for use in your home located in the United States. At least half of the energy used to heat the water must be from a qualified solar water heating system. This includes costs relating to a solar panel or other property installed as a roof or a portion of a roof. To qualify for the credit, the property must be certified by the Solar Rating Certification Corporation or a comparable entity endorsed by the government of the state in which the property is installed. The home does not have to be your main home.

Qualified small wind energy property costs. Qualified small wind energy property costs are costs for property that uses a wind turbine to generate electricity for use in connection with your home located in the United States. The home does not have to be your main home.

Qualified geothermal heat pump property costs. Qualified geothermal heat pump property costs are costs for qualified geothermal heat pump property installed on or in connection with your home located in the United States. Qualified geothermal heat pump property is equipment that uses the ground or ground water as a thermal energy source to heat your home or as a thermal energy sink to cool your home. To qualify for the credit, the geothermal heat pump property must meet the requirements of the Energy Star program that are in effect at the time of purchase. The home does not have to be your main home.

Joint ownership of qualified property. If you and a neighbor shared the cost of qualifying property to benefit each of your main homes, both of you can take the nonbusiness energy property credit. You figure your credit on your share of the cost. The limit on the amount of the credit applies to each of you separately.

Married taxpayers with more than one home. If both you and your spouse owned and lived apart in separate main homes, the limit on the amount of the credit applies to each of you separately. If you are filing separate returns, the limit on the amount of the credit applies to each of you as filing a joint return. figure your nonbusiness energy property credit as follows.

1. Figure the amount of a separate Form 5695 for each main home in your name.

2. Figure the amount to be entered on line 5 of both forms (but not more than $1,500 for each form) and enter the combined amount on line 5 of one of the forms.

3. On line 6 of the form with the combined amount on line 5, cross out the preprinted $1,500 and enter $3,000.

4. On the form with the amount on line 5, enter "More than one main home." Then, complete the rest of this form.

5. Attach both forms to your return.

Joint occupancy. If you owned your home jointly, each owner must complete his or her own Form 5695. Your credit is limited to the smaller of:

1. The amount you paid, or

2. $1,500 multiplied by a fraction. The numerator is the amount you paid and the denominator is the total amount paid by you and all other owners.

These rules do not apply to married individuals filing a joint return.

Residential Energy Efficient Property Credit

You may be able to take a credit of 30% of your costs of qualified solar electric property, solar water heating property, small wind energy property, geothermal heat pump property, and fuel cell property. This includes labor costs properly allocable to the onsite preparation, assembly, or original installation of the property and sales taxes on the wiring to interconnect such property to the home. The credit amount for costs paid for qualified fuel cell property is limited to $500 for each one-half kilowatt of capacity of the property.

Specific Instructions

Part I

Nonbusiness Energy Property Credit

Line 1

To qualify for the credit, any qualified energy efficiency improvements or residential energy property costs must have been for your main home located in the United States. See *Main home* on page 3. If you check the "No" box, you cannot take the nonbusiness energy property credit.

Lines 2a Through 2d

Note. Unless otherwise noted, any references to the International Energy Conservation Code (IECC) are treated as references to either the IECC supplement of the 2000 IECC or the 2004 Supplement of the 2003 IECC.

Do not include on lines 2a through 2d any amounts paid for the onsite preparation, assembly, or original installation of the component.

Line 2a. Enter the amounts you paid for any insulation material or system (including any vapor retarder or seal to limit infiltration) that is specifically and primarily designed to reduce heat loss or gain of your home when installed in or on such home and may be taken into account in determining whether the building thermal envelope requirements established by the IECC are satisfied.

For property placed in service after February 17, 2009, the property must have an energy factor of at least 0.60 or a thermal efficiency of at least 90%.

For property placed in service after February 17, 2009, the property must have an energy factor of at least 0.82 or a thermal efficiency of at least 95%.

Line 2b. Enter the amounts you paid for any insulation material or system (including any vapor retarder or seal to limit infiltration) that is specifically and primarily designed to reduce heat loss or gain of your home when installed in or on such home and may be taken into account in determining whether the building thermal envelope requirements established by the IECC are satisfied.

For property placed in service after February 17, 2009, the property must have an energy factor of at least 0.60 or a thermal efficiency of at least 90%.

For property placed in service after February 17, 2009, in addition to meeting the prescriptive criteria for such component established by the IECC for the climate zone in which these components were installed, you can still take the credit if you relied on the manufacturer's certification issued before February 18, 2009, that the property met the standards in effect before February 18, 2009.

For property placed in service after February 17, 2009, in addition to meeting the prescriptive criteria for such component established by the IECC for the climate zone in which these components were installed, you can still take the credit if you relied on the manufacturer's certification issued before February 18, 2009, that the property met the standards in effect before February 18, 2009. In addition, for exterior windows and skylights purchased before June 1, 2009, you can still take the credit if you relied on the manufacturer's certification if the property is installed in the region identified on the label.

Line 2c. Enter the amounts you paid for exterior doors that meet or exceed the criteria established by the IECC for the climate zone in which these components were installed. Doors that contain glass or other glazed door that, in combination with a wood door assigned a default U factor by the IECC, does not exceed the default U factor requirement assigned to a door without glass.

For property placed in service after February 17, 2009, in addition to meeting the prescriptive criteria for such component established by the IECC, the property must have a U-factor of 0.30 or less and a SHGC of 0.30 or less. However, if you purchased property before June 1, 2009, you can still take the credit if you relied on the manufacturer's certification issued before February 18, 2009, that the property met the standards in effect before February 18, 2009.

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Line 2d. Enter the amounts you paid for a metal roof with the appropriate pigmented coatings or asphalt roof with the appropriate cooling granules, that are specifically and primarily designed to reduce the heat gain of your home, and the roof meets or exceeds the Energy Star program requirements in effect at the time of purchase or installation.

Manufacturer's certification. For purposes of taking the credit, you can rely on a manufacturer's certification in writing that a building envelope component is an eligible building envelope component. Do not attach the certification to your return. Keep it for your records.

Lines 3a Through 3c

Also include on lines 3a through 3c any labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

Line 3a. Enter the amounts you paid for energy-efficient building property. Energy-efficient building property is:

- An electric heat pump water heater that yields an energy factor of at least 2.0 in the standard Department of Energy test procedure,
- An electric heat pump that has a heating seasonal performance factor (HSPF) of at least 9, a seasonal energy efficiency ratio (SEER) of at least 15, and an energy efficiency rating (EER) of at least 13,

For property placed in service after February 17, 2009, the property must meet the applicable requirements of the Energy Star program in effect for Energy Efficiency (EE) as in effect on January 1, 2008. However, if you purchased property before June 1, 2009, you can still take the credit if you relied on the manufacturer's certification issued before February 18, 2009, that the property met the standards in effect before February 18, 2009.

- A central air conditioner that achieves the highest efficiency tier that has been established by the EE as in effect on January 1, 2008.

For property placed in service after February 17, 2009, the property must achieve the highest efficiency tier established by the CEE as in effect on January 1, 2008. However, if you purchased property before June 1, 2009, you can still take the credit if you relied on the manufacturer's certification issued before February 18, 2009, that the property met the standards in effect before February 18, 2009.

A component is not specifically and primarily designed to reduce heat loss or heat gain if it is attached to a wall or roof structural support or a finished surface such as drywall or siding or its principal purpose is to serve any function unrelated to the reduction of heat loss or gain.

Line 3b. Enter the amounts you paid for exterior windows (including any storm windows) and skylights that meet or exceed the criteria established by the IECC for the climate zone in which these components were installed.

For property placed in service after February 17, 2009, in addition to meeting the prescriptive criteria for such component established by the IECC, the property must have a U-factor of 0.30 or less and a SHGC of 0.30 or less. However, if you purchased property before June 1, 2009, you can still take the credit if you relied on the manufacturer's certification issued before February 18, 2009, that the property met the standards in effect before February 18, 2009.

- A natural gas, propane, or oil water heater that has an energy factor of at least 0.80 or a thermal efficiency of at least 90%.

For property placed in service after February 17, 2009, the property must have an energy factor of at least 0.82 or a thermal efficiency of at least 95%. However, if you purchased property before June 1, 2009, you can still take the credit if you relied on the manufacturer's certification issued before February 18, 2009, that the property met the standards in effect before February 18, 2009.

- A stove that uses the burning of biomass fuel to heat your home or heat water for use in your home and has a thermal efficiency rating of at least 75% as measured by using a lower heating value. Biomass fuel is any plant-derived fuel available on a renewable or recurring basis, including but not limited to agricultural crops and their byproducts, solid waste, paper products, yard waste, pellets, plants (including aquatic plants), grasses, residues, and fibers.

Line 3c. Enter the amounts you paid for a natural gas, propane, or oil furnace or hot water boiler that achieves an annual fuel utilization efficiency rate of at least 95.

For a natural gas, propane, or oil hot water boiler or oil furnace placed in service after February 17, 2009, the annual fuel utilization efficiency rate is reduced to 90.

Line 3c. Enter the amounts you paid for an advanced main air circulating fan for use in a natural gas, propane, or oil furnace that has an annual electricity use of no more than 2% of the total annual energy use of the furnace (as determined in the standard Department of Energy test procedures).

Manufacturer's certification. For purposes of taking the credit, you can rely on a manufacturer's certification in writing that a product is a qualified residential energy property. Do not attach the certification to your return. Keep it for your records.

Line 6

If the rules on page 3 for joint occupancy apply, cross out the preprinted $1,500 on line 6 and enter on line 6 the smaller of:

1. The amount on line 4, or

2. $1,500 multiplied by a fraction. The numerator is the amount on line 3 and the denominator is the total amount from line 4 for all owners.

For more details, see *Joint occupancy* on page 3.

Part II

Residential Energy Efficient Property Credit

Also include on lines 12 through 15, and 16 apply labor costs properly allocable to the onsite preparation, assembly, or original installation of the property for piping or wiring to interconnect such property to the home.

Line 12

Enter the amounts you paid for qualified solar electric property. See *Qualified solar electric property costs* on page 4.

Line 13

Enter the amounts you paid for qualified solar water heating property. See *Qualified solar water heating property costs* on page 4.

Line 14

Enter the amounts you paid for qualified small wind energy property. See *Qualified small wind energy property costs* on page 4.

Line 15

Enter the amounts you paid for qualified geothermal heat pump property. See *Qualified geothermal heat pump property costs* on page 4.

Line 16

Enter the amounts you paid for qualified fuel cell property. See *Qualified fuel cell property costs* on page 4.

Line 25

If you are claiming the child tax credit for 2009, include on this line the amount from line 12 of the Line 11 Worksheet in Pub. 972.

If you are not claiming the child tax credit for 2009, you do not need Pub. 972.

Line 27

Manufacturer's certification. For purposes of taking the credit, you can rely on the manufacturer's certification in writing that a product is a qualifying property for the credit. Do not attach the certification to your return. Keep it for your records.

Line 28

You cannot use all of the credit because of the tax liability limit (line 26 is less than line 25), you can carry the unused portion of the credit to 2010.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Wood Stove Changeout Authorization Legislation

An HPBA-supported legislative concept that would establish a federal wood stove changeout program to be managed by EPA was drafted, and offered, as an amendment to a legislative proposal currently under consideration by the U.S. Congress. While it has not yet become law, we have made giant strides in having the language make it this far through the contentious legislative process. Some useful details about the language:

- If signed into law, the language of the amendment would authorize (i.e., establish, but not fund) $20 million over five years for the changeout program, with a funding breakdown of 72% for a national changeout program, 25% for a Tribal program, and 3% for an Alaskan Native Villages program.
- The HPBA amendment was offered in May 2009, by U.S. Representatives Peter Welch (D-VT), Jay Inslee (D-WA) and Jane Harman (D-CA) to H.R. 2454 ("The American Clean Energy and Security Act", aka the "cap-and-trade bill").
- The same changeout authorization language was also included in the U.S. Senate's cap-and-trade legislation, which is still being considered.
- HPBA is working to make sure that our language is included in any piece of legislation that moves through the legislative process, but without taking any position on the underlying legislative vehicle to which our language is attached.

A changeout of old, dirty burning wood stoves for EPA-certified wood stoves and pellet stoves will provide significant health benefits to individuals. Cleaner air means fewer cases of asthma and other health problems caused by smoke particulates.

Benefits of replacing inefficient wood stoves:

- Reduces fine particles (toxic air pollution) by 70%
- Reduces indoor PM 2.5 emissions by 70% according to University of Montana
- Improves energy efficiency by 50% by using 1/3 less wood
- Climate change benefits – reduction in methane and CO2 from improved combustion efficiency.
- Changing out 25 inefficient wood stoves will result in reducing 1 ton of fine particles per year
- Changing out 1 inefficient wood stove is equivalent to the PM 2.5 emission reductions of taking 5 diesel buses off the road
- To date, nearly 7,500 wood stoves and fireplaces changed out in more than 35 communities = approximately 200 tons of PM reduced/year and an estimated $100 million/year of health benefits
- It is estimated that there are at least 7.5 million old, dirty burning wood stoves still in use today in the U.S. (EPA doc – "The Great American Wood Stove Changeout Program")

The changeout in Libby, Montana, replaced or repaired 1,130 old, polluting stoves. Based on collected data, Libby residents are now breathing significantly cleaner air both outdoors and inside their homes. Average wintertime fine particulate levels in the outdoor air decreased by 28 percent in 2007 – the first year following completion of the changeouts. The results are even more dramatic for indoor air quality with initial research by the University of Montana finding the air 72 percent cleaner inside homes with new, EPA-certified stoves and pellet stoves.