

Memo

To: NRBP
From: Rick Handley
Subject: Tax Credit for Biomass Stoves
Date: July 7, 2009

As many of you know the American Recovery and Reinvestment Act of 2009 (ARRA) included an energy tax credit for homeowners. Homeowners are allowed to take a tax credit equal to 30 % of the cost of energy improvement up to a maximum of \$1500. The credit includes many qualifying energy improvements <http://www.irs.gov/pub/irs-drop/n-09-53.pdf>.

The tax credit includes the purchase and installation of biomass stoves provided the stove meets an efficiency rating of 75%. Since nearly all biomass stoves are not measured for efficiency, and since the default efficiency of wood stove set by EPA is 63% for non-catalytic and 72% for catalytic stoves, much of the hearth industry has been waiting for IRS to provide guidance on how the efficiency of biomass stoves is to be measured.

In early June IRS released its guidance: a manufacturer can use any method to measure efficiency of their products as long as they can verify their results.

Manufacturers will place notices on their websites regarding models that qualify for the tax credit. Homeowners that purchase a qualified model should get a certificate of qualification from the dealer for their records. The homeowner does not need to file the certificate but should keep it in their tax records.

The tax credit can be used as follows:

- A qualifying biomass-burning stove purchased in calendar year 2009 or 2010.
- It is a one-time tax credit that can be claimed in part or in whole for tax year 2009 and/or tax year 2010
- It is capped at \$1500.
- Homeowners who claimed the \$500 credit available in 2006-2007 can claim the remaining \$1,000 credit for additional qualified products bought and installed in 2009 and/or 2010.
- Fireplace inserts are also eligible if they meet the efficiency requirement.
- The tax credit can include installation costs if they are required for proper stove function and safety.