

On February 22, 2006 the IRS released interim guidance (Notice 2006-26), pending the issuance of regulations, relating to the credits for non-business energy property under Section 25C of the Internal Revenue Code. These new credits were created by the Energy Policy Act of 2005 and apply to property placed in service after December 31, 2005, and before January 1, 2008. Specifically, this IRS notice explains the credits and provides procedures that manufacturers may follow to certify property as Qualified Energy Property.

### Qualified Energy Property

The maximum amount of the credit allowable to a taxpayer under Section 25C for all taxable years is \$500. The maximum amount of credit allowed for certain Qualified Energy Property is as follows:

- (1) \$50 for any advanced main air circulating fan that is used in a natural gas, propane, or oil furnace and has an annual electricity use of no more than 2% of the total annual site energy use of the furnace (as determined in the standard DOE test procedure).
- (2) \$150 for any qualified natural gas, propane, or oil furnace or hot water boiler that achieves an annual fuel utilization efficiency rate of not less than 95;
- (3) \$300 for any item of energy-efficient building property (that is, property described in section 5.01(1)-(7) of the notice) including any natural gas, propane or oil water heater that has an energy factor of 0.80.

### Who Gets the Credit?

The taxpayer (home owner) who purchases the Qualified Energy Property receives the credit. A taxpayer may claim a credit with respect to expenditures paid or incurred for Qualified Energy Property only if the following requirements are satisfied:

- (1) The property is installed on or in connection with a dwelling unit located in the United States and, at the time of installation, the dwelling unit is owned and used by the taxpayer as the taxpayer's principal residence, and
- (2) The property is originally placed in service by the taxpayer.

### Installation Costs

The credit is allowed for amounts paid or incurred to purchase Qualified Energy Property and for expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

### Manufacturer's Certification

The manufacturer of a product must certify to the taxpayer that the product is Qualified Energy Property by providing the taxpayer with a certification statement (see below). The certification statement may be provided by including a written copy of the statement with the packaging of the product, in printable form on the manufacturer's website, or in any other manner that will permit the taxpayer to retain the certification statement for tax record keeping purposes.

A manufacturer's certification statement to be provided to taxpayers who purchase Qualified Energy Property must contain the following:

- (a) The name and address of the manufacturer;
- (b) The class/type of Qualified Energy Property (i.e. water heater, furnace, fan);
- (c) The make, model number, and any other appropriate identifiers of the product;
- (d) A statement that the product is Qualified Energy Property that qualifies for the credit allowed under Section 25C; and
- (e) 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 presented are true, correct, and complete."

### Taxpayer Responsibility

A taxpayer may rely on a manufacturer's certification that a product is Qualified Energy Property. A taxpayer is not required to attach the certification statement to the tax return on which the credit is claimed. However, Income Tax Regulations require that taxpayers maintain such books and records as are sufficient to establish the entitlement to, and amount of, any credit claimed by the taxpayer. Accordingly, a taxpayer claiming a credit for Qualified Energy Property should retain the certification statement as part of the taxpayer's records.

### IRS Contact Information

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