

Issue 4: Extend federal tax credits for energy efficient water heaters, furnaces, circulating fans, and tankless water heaters

Background: The Energy Policy Act of 2005 provided a federal tax credit for certain non-business energy property that was placed in service after December 31, 2005, and before January 1, 2008. These credits, which can be claimed by homeowners purchasing the property, are spelled out in Section 25C of the Internal Revenue Code and apply as follows:

- \$150 credit for any qualified natural gas, propane, or oil furnace or hot water boiler that achieves an annual fuel utilization efficiency rating not less than 9.0
- \$300 credit for any natural gas, propane or oil water heater that has an energy factor of 0.80
- \$50 credit 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.

The maximum amount of the credit allowable to a taxpayer under Section 25C for all taxable years is \$500. 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.

The propane industry strongly believes that these credits are effective in moving manufacturers toward the goal of producing more energy efficient products by making these items more attractive to homeowners. These credits have now expired and need to be renewed.

Status: On a number of occasions Congress has endeavored to extend these credits this year. Appropriate legislative vehicles have presented themselves throughout the year, but to date none has been enacted to extend these expired provisions.

The Ask: NPGA urges Congress to extend the federal tax incentives related to energy efficient property for homes through 2012 at a minimum.