

Economic Stimulus Bill Promotes Renewable Energy

New Legislation Increases Tax Credit for Homeowners

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Arlington, VA – February 17, 2009: The 2009 Economic Stimulus legislation signed into law today by President Obama includes a 30% tax credit (up to \$1,500) for the purchase in 2009 and 2010 of a 75%-efficient biomass-burning appliance as measured using a lower heating value. The tax credit provisions are extended improvements of the legislation that passed in October 2008. The major changes are an extension of the credit to 2010 and the increase on the credit from \$300 to 30% of the total cost.

While the new tax credit takes effect immediately, the Internal Revenue Service (IRS) has not issued the guidelines for determining what stoves meet the efficiency requirements to qualify for the credit or how a manufacturer will qualify their products. These guidelines are expected by March 31, 2009, however the credit applies to all qualifying stoves sold in 2009. Once the IRS guidelines are issued, wood and pellet stove manufacturers will test their stoves and will notify their retailers about their models that qualify.

The Hearth, Patio & Barbecue Association (HPBA), in conjunction with the Pellet Fuels Institute (PFI), worked to educate elected officials and their staffs on the benefits and energy efficiency of wood and pellet stoves. As the cost of heating oil and natural gas rise, this tax credit will help consumers save on energy costs.

“This stimulus legislation supports renewable energy and will help consumers control their winter heating costs,” said Jack Goldman, president of HPBA. “It is a great example of how the hearth industry can work in Washington and on a grassroots level and help pass good legislation. With the long-term rise in home heating prices, this tax credit will help alleviate some of the initial cost for those consumers wanting to purchase a 75%-efficient wood or pellet stove next year.”

The Hearth, Patio & Barbecue Association (HPBA), based in Arlington, VA, is the North American industry association for manufacturers, retailers, distributors, representatives, service firms and allied associates for all types of hearth, barbecue and patio appliances, fuels and accessories. For more information on HPBA and the tax credit developments, go to www.hpba.org.

Tax Credit FAQs

Q: What is a federal consumer tax credit?

A: Consumers claim the credit on their federal income tax form at the end of the year. The credit then increases the tax refund or decreases the amount the taxpayer has to pay.

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.

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

A: The tax credit goes into effect January 1, 2009 and is valid only for the purchase of a qualifying biomass-burning stove in 2009 and 2010. The sales receipt must indicate that the purchase was made between January 1, 2009 and December 31, 2010. If a retailer sells a stove before the list of qualifying stoves is made public, the retailer must keep a complete record of the sale (name and full contact information) so the purchaser can be notified.

Q: Who is determining the tax credit guidelines for the qualifying units?

A: The Department of the Treasury, and specifically, the IRS.

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

A: This legislation includes only 75% efficient biomass-burning stoves. In communication with the IRS, HPBA requested that inserts be included, but no confirmation has been received.

Q: Do all pellet stoves qualify for the tax credit?

A: We do not know at this time. In a letter to the IRS, we recommended that all pellet stoves be included because EPA has previously assigned a default efficiency rating sufficient to qualify pellet appliances. However, we do not have a confirmation from the U.S. Department of the Treasury or the IRS about whether they will accept or reject this recommendation.

Q: Why was 75% efficiency selected?

A: The 75% efficiency number was approved by the U.S. Congress in 2005 as part of the Energy Policy Act and was used again for this tax credit. Unfortunately, with a truncated timeline of the legislation that included this tax credit, we were not able to change the number to reflect a more realistic efficiency rating.

Q: How will the 75% efficiency requirement be determined?

A: The 2009 Economic Stimulus legislation, signed into law on February 17, 2009, stated that a lower heating value will be used to measure the efficiency of a biomass-burning stove. HPBA has provided the IRS with extensive information on product efficiency. This method will include a broader range of efficient biomass products for the tax credit and be consistent with the original legislative intent.

Q: How will a consumer know that a product is certified?

A: The manufacturer will have to certify that its product meets or exceeds the IRS efficiency requirements. A manufacturer's certification is a signed statement from the manufacturer certifying that the product qualifies for the tax credit. The IRS encourages manufacturers to provide these certifications on their websites to facilitate identification of qualified products. Tax payers must keep a copy of a certification statement for their records, but do not have to submit a copy with their tax return.

Q: What should a retailer and consumer do while waiting for qualifying information?

A: Keep exact records of any sale or purchase. It is imperative that retailers keep records of sales and buyers should save all receipts for payment along with stove manufacturer and model information.

Q: How does the language in this legislation differ from what was passed in October 2008?

A: The new legislation 1) increases the tax credit from \$300 to 30% of the total cost of a biomass-burning stove, 2) extends the credit to purchases in 2010, and 3) measures the stove's efficiency based on the lower heating value.

Clean Stove Act Letter

- [Clean Stove Act documents](#)

Minimum Wage Increase

On May 25, 2007, the President signed into law a supplemental appropriations bill (H.R. 2206, P.L. 110-28) which included an increase in the federal minimum wage. The increase was included in the Iraq war funding bill. Under the act, the federal minimum wage has already increased to \$5.85 an hour; it increases to \$6.55 one year later; and to \$7.25 a year after that.

Energy Bill and Energy Tax Provisions

There has been a flurry of action on energy legislation in the U.S. Congress. The Senate version of a comprehensive energy bill ([CLEAN Energy Act of 2007 – H.R. 6](#)) passed the Senate on June 21, 2007. It did not include an energy tax provision. The House of Representatives passed their version of the energy bill ([New Direction for Energy Independence, National Security, and Consumer Protection Act – H.R. 3221](#)) on August 4, 2007. The House energy tax bill was added to this legislation as well. Issues in this bill important to HPBA are:

[Qualified Energy Efficiency Assistance Bonds](#) – This provision would create a new category of tax credit bonds to provide states with funds to implement long-term programs that will provide consumers with low-interest loans and grants for energy-efficient property and efficiency improvements to existing homes. We were not included in the first version; attempts are being made to include our industry.

[Grant Program](#) – This provision would require the Secretary of Energy to establish a grant program for universities to research and develop renewable energy technologies. Priority is given to universities in low income and rural communities with proximity to trees dying of disease or insect infestation.

[RESA Study](#) – Language was included directing the Secretary of Energy to conduct a study of the renewable energy system rebate program for homes and small businesses, described in section 206-c of the Energy Policy Act of 2005. The study would require a plan for the program if it were funded, and determine the minimum amount the program would need to be viable.

[Regional Standards](#) – A negative item included in both energy bills is a provision would allow the Secretary of Energy to establish regional standards for space heating and air conditioning products. Follow the link to a side-by-side comparison of the language in the U.S. House and U.S. Senate energy bills.

When the Congress reconvenes after the August recess a conference committee will be convened to merge the U.S. Senate and U.S. House energy bills into one. This process is fluid and there are still opportunities to address these issues.

Farm Bill

The House of Representatives passed the [2007 Farm Bill \(H.R. 2419\)](#) by a vote of 231-191. The Senate must now consider their version of the Farm Bill. The 2002 Farm Bill expires on September 30, 2007. The main issue for HPBA in the Farm Bill is the Community Wood Energy Program. This program authorizes a grant program for state and local governments and communities to use low-grade wood biomass in community wood energy systems for state and locally owned businesses such as schools, town halls, and courthouses. This is another issue HPBA will be supporting and advocating for in the U.S. Senate.

Other issues of importance in the Farm Bill for HPBA members are more secondary in nature. There are definitions of biomass which include wood and wood pellets. This is an important first step to allowing our industry to partake in additional areas of assistance. The Farm Bill also protect and sustains our nation's forest resources and makes important new investments in renewable energy research, development and production in rural America.