



**This incentive encourages consumers to make energy-conscious purchases that improve air quality, lowers heating expenses, and promotes economic growth.**

- 🔥 The residential **energy-efficient building property tax credit** expired on December 31, 2014 after being retroactively extended on December 19, 2014 by H.R. 5771. The **on-again, off-again nature** of the credit **prevents** it from acting as a **true incentive** for consumers to make energy efficient purchase and also **inhibits businesses** from promoting it to customers.
- 🔥 First enacted in 2005, the credit is a proven **incentive** for **spurring consumers to purchase** high efficiency biomass stoves, hot water heaters, roofing, HVAC systems, insulation, windows, and doors.
- 🔥 In 2009, the American Recovery and Reinvestment Tax Act added 75 percent efficient biomass stoves to the list of appliances eligible for the credit. Internal Revenue Service data indicates **American tax payers** reported spending **\$25.1 billion in 2009** and **\$26 billion in 2010** on remodeling costs associated with the tax credit.<sup>1</sup> For **small businesses**, that translates into more **sales, service jobs, and satisfied customers – three key factors necessary for growing a small business.**
- 🔥 For the tax years 2009 through 2012, over **92 percent of households** claiming the credit had an adjusted gross **income under \$200,000** and two-thirds of the households claiming the credit had an adjusted gross income of under \$100,000.<sup>2</sup> Clearly **an incentive for middle class families**, the credit helps **reduce** homeowners' **energy use**, lowering their utility bills and improving their homes.
- 🔥 The tax credit was once a 30 percent credit capped at \$1,500, but it has since been reduced to a 10 percent credit capped at \$300. **A strengthened, permanent residential energy-efficient building property tax credit** will enhance the credit's **incentive value**. Small businesses will know the credit can be **promoted** to customers, and homeowners aware of the credit will actually be incentivized to make purchases. A restructured tax credit will create more opportunities for small businesses and consumers alike while retaining its voluntary nature "in which businesses and consumers can choose their level of participation."<sup>3</sup>

## How Congress Can Help

**Extend the 25C tax credit for purchases made in 2015 and beyond, as soon as possible, and include a strengthened, permanent biomass appliance incentive in plans to reform the U.S. tax code.**

<sup>1</sup> IRS, Statistics of Income (SOI) Tax Stats – Individual Income Tax Returns, Line Item Estimates. 2009 (p. 128, line 4), 2010 (p. 130, line 4). Downloaded from: <http://www.irs.gov/uac/SOI-Tax-Stats-Individual-Income-Tax>Returns,-Line-Item-Estimates>

<sup>2</sup> IRS, Statistics of Income (SOI) Tax Stats – Individual Statistical Tables by Size of Adjusted Gross Income. Table 3.3: All Returns: Tax Liability, Tax Credits, and Tax Payments. Years 2009, 2010, 2011, 2012. Downloaded from: <http://www.irs.gov/uac/SOI-Tax-Stats---Individual-Statistical-Tables-by-Size-of-Adjusted-Gross-Income>

<sup>3</sup> *Free Markets Supply Affordable Energy and a Clean Environment*, The Heritage Foundation, by Nicolas Loris, October 2014.

## More Information

**Presidential Support for Biomass:** A March 19, 2015 Executive Order (EO) titled “Planning for Federal Sustainability in the Next Decade” recognizes thermal energy generated by a biomass-fueled appliances as a pathway federal agencies can use to comply with the order that all federal agencies obtain 25 percent of their total energy from renewable sources by 2025.

**The Credit Encourages Remodeling:** “A good argument can be made that the credit for improvements to existing homes (the section 25C tax credit) helped to mitigate recession-related declines for remodeling, compared to housing construction activity like single-family construction. Despite rule changes in 2011 that weakened the program, the credit remained an important incentive for homeowners to replace older...appliances with new, energy-efficient models.”<sup>4</sup>

**The Credit’s Effectiveness:** When the tax credit was at the \$1,500 level, “the incentive was particularly effective in spurring a much higher market share for qualifying homes and appliances and in the case of appliances have led to a permanent transformation of the market.” However, in recent years, the tax credit has been retroactively extended and consumers were not aware of the tax credit until after making a purchase. This has led to “low participation, resulting in low impacts but also low costs.”<sup>5</sup>

**Overall Benefit:** Industry agrees that “replacing an old woodstove or fireplace with a more energy efficient appliance can save fuel, money and protect you and your family’s health. Newer stoves can reduce smoke and dust, as well as cut heating expenses.”<sup>6</sup>

### Bottom Line:

The U.S. needs a strong residential energy-efficient building property incentive to help existing homeowners afford efficient biomass heating systems, drive economic growth, and reduce home heating bills for millions of U.S. tax payers. **Absent action on a permanent 25C tax credit this year, Congress should enact an uninterrupted, multi-year extension of a strengthened tax credit.**

For more information on the 25C tax credit for biomass appliances, please visit the **Hearth, Patio & Barbecue Association (HPBA)** at [www.hpba.org/government-affairs/25c-tax-credit-1](http://www.hpba.org/government-affairs/25c-tax-credit-1), or email Rachel Feinstein at [Feinstein@hpba.org](mailto:Feinstein@hpba.org).

<sup>4</sup> *In Need of Housing Improvement. Here’s why the economy for home remodeling doesn’t look good for 2014*, U.S. News, by Robert Dietz, October 2014.

<sup>5</sup> *Energy Efficiency Tax Incentives in the Context of Tax Reform*, American Council for an Energy-Efficient Economy (ACEEE), by Steve Nadel, July 2012, p. 5.

<sup>6</sup> *Consumers – Energy Efficiency and Wood-Burning Stoves and Fireplaces*, U.S. Environmental Protection Agency (EPA). Accessed: <http://www.epa.gov/burnwise/energyefficiency.html>