



FPI Fireplace Products International Ltd.

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2009 Tax Credit Information – Important Details

Congress has passed, and President Obama has signed into law, H.R. 1, the American Recovery and Reinvestment Act (ARRA). The Hearth, Patio & Barbecue Association (HPBA) and the Pellet Fuels Institute (PFI), succeeded in including the tax credit to help consumers fight rising home heating costs.

The bill includes a 30% tax credit (up to \$1500) for the purchase of a 75%-efficient biomass-burning appliance in 2009 and 2010. The tax credit provisions are extended improvements on the legislation that passed in October 2008. The major changes are 1) an extension of the credit to 2010; 2) the increase on the credit from \$300 to 30% of the total cost; and 3) the lower heating value will be used for the efficiency rating.

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 went into effect January 1, 2009 and is valid only for the purchase of a qualifying biomass stove in 2009 and 2010. The sales receipt must indicate that the purchase was made between January 1, 2009 and December 31, 2010. The retailer must also provide the customer with certification that the stove meets the minimum 75% efficiency as required by the IRS for their records.

Q: Who determined 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: The IRS did not state that inserts are covered, or are not covered, but based on EPA's practice of treating inserts and freestanding biomass stoves in a similar fashion, manufacturers may choose to include inserts. At this time (June 2009) it is not clear whether EPA-certified wood-burning fireplaces or outdoor wood heaters qualify.

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

A: Any pellet stove that meets the 75% efficiency rating and has the qualifying documentation qualifies for the tax credit.

Q: Why was 75% efficiency selected?

A: The 75% efficiency was designated 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 is the 75% efficiency requirement determined?

A: The manufacturer of the stove must provide certification that the product tests for at least a 75% efficiency rating using the lower heating value, i.e., the heat value of a combustion process assuming that none of the water vapor resulting from the process is condensed out, so that its latent heat is not available.



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

A: The manufacturer must certify that its product meets or exceeds the IRS efficiency requirement. 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 and to their dealers to facilitate identification of qualified products

Q: What should a retailer provide and the customer retain for tax purposes?

A: Retailers and consumers must keep exact records of any sale or purchase. Retailers should provide a buyer with the manufacturer's certificate of qualification for the specific product purchased. Consumers must retain the certification statement for tax recordkeeping purposes, but the certification is not required to be attached to the tax return.

HPBA will keep the industry up-to-date on all developments on its website, www.hpba.org.