



IRS Issues New Guidance on Tax Credit Requirements

The Internal Revenue Service issued an advance notice this week outlining documentation requirements that window and door manufacturers must provide to homeowners looking to claim energy efficiency home improvement tax credits under the American Recovery & Reinvestment Act.

According to the notice, an Energy Star label is no longer acceptable for exterior windows and skylights, as the IRS had allowed for products purchased prior to June 1.

Notice 2009-53, specifically, outlines how manufacturers will verify their eligible products, and provides guidance for taxpayers seeking to claim the credit. In short, the notice states the conditions under which taxpayers can "rely on a manufacturer's certification."

In the case of an exterior window, skylight or door (other than a storm window or storm door), the manufacturer's certification must state that the exterior window, skylight, or door has a U factor and SHGC of 0.30 or below.

"A manufacturer that certifies to a taxpayer that a component is an eligible building envelope component or that property is qualified energy property must retain in its records documentation establishing that the component or property satisfies the applicable conditions," the notice states. "In the case of an exterior window, the manufacturer must retain a record of its National Fenestration Rating Council rating."

The notice also states, "Taxpayers can no longer rely on an Energy Star label in claiming the § 25C credit for exterior windows and skylights placed in service after the enactment of the ARRTA. Similarly, an Energy Star label does not establish that a product is qualified energy property. The product must meet the definition of qualified energy property in § 25C."

While Energy Star labels are no longer appropriate documentation, the announcement highlights the recent transition period in which Energy Star-rated products would qualify for the credit: "In the case of amounts paid or incurred before June 1, 2009, for property placed in service after February 17, 2009, taxpayers may rely on: ... An Energy Star label for exterior windows and skylights, rather than on a manufacturer's certification statement, in claiming the § 25C credit, if the window or skylight is installed in the region identified on the label!"