



November 10, 2016

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate

The Honorable Mitch McConnell
Majority Leader
United State Senate

The Honorable Harry Reid
Minority Leader
United States Senate

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives

The Honorable Kevin Brady
Chairman
Ways & Means Committee
U.S. House of Representatives

The Honorable Sander Levin
Ranking Member
Ways & Means Committee
U.S. House of Representatives

Dear Chairman Hatch, Ranking Member Wyden, Majority Leader McConnell, Minority Leader Reid, Speaker Ryan, Minority Leader Pelosi, Chairman Brady and Ranking Member Levin:

As the trade association representing manufacturers, retailers, distributors, and servicers of wood and pellet stoves and inserts, in addition to other sectors of the hearth, patio and barbecue industries, we are writing to urge your support for an extension of the residential energy efficiency 25(C) tax credit that will expire December 31, 2016. More specifically, we support the provision for energy efficient building property that provides a \$300 dollar-for-dollar credit for purchasing, among other products, biomass-fueled stoves that are at least 75 percent efficient. There is an inherent up-front cost to purchasing a new biomass stove, but there also exists a long-term gain for homeowners and communities.

This federal tax credit incentivizes consumers to make energy-conscious purchases that they otherwise may not have made. Furthermore, in light of new Environmental Protection Agency (EPA) regulations for new residential wood heaters – the first new regulations for this product category in over 20 years – this credit supports an industry that is making

significant adjustments to their businesses and investing in R&D to comply with new testing and performance requirements. A stable, reliable tax credit for biomass stoves would help struggling small businesses make their products more marketable to a customer base that very badly needs such an incentive to even walk through the front door.

The on-again-off-again nature of this credit has made it very difficult for manufacturers and retailers to market the credit's availability to their customers. As such, the tax credit has frequently acted less like an incentive and more like a happy accident for those who were made aware of the credit after having already made a qualifying purchase. The credit has only been available to promote in marketing efforts only three times in recent years – 2010, 2013, and 2016. With stability in this part of the tax code, more consumers, most of whom are purchasing decision makers for middle class households, would actually be incentivized to make a qualifying purchase which is the purpose of a tax credit. In addition, the credit is particularly useful in areas of the country that are encouraging residents to change out an older, non-EPA-certified stove for a new EPA-certified stove in order to help meet air quality standards for particulate emissions.

The Sec. 25(C) tax credit, first established by the Energy Policy Act of 2005, saw the addition of the provision for efficient biomass stoves upon passage of the Emergency Economic Stabilization Act of 2008. The American Recovery and Reinvestment Act of 2009 (the "Stimulus Bill") increased the credit amount from \$300 to \$1,500 making it a more robust credit for American taxpayers. Internal Revenue Service (IRS) data indicate that taxpayers reported spending \$25.1 billion in 2009 and \$26 billion in 2010 on remodeling costs associated with both qualified energy efficiency improvements and residential energy property costs.^{1,2} For small businesses, which make up the vast majority of this industry, that translates into more sales, service jobs, and satisfied customers – three key factors for growing a small business.

For tax years 2009 through 2012, over 92 percent of households that claimed the credit had an adjusted gross income (AGI) under \$200,000 and two-thirds of the households claiming the credit had an AGI of under \$100,000. During the same period, about 40 percent of households that claimed the credit had an AGI of under \$75,000.³ Clearly an incentive for middle class families, the credit helps reduce homeowners' energy use, lowering their utility bills and increasing their home's value.

¹ 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: <https://www.irs.gov/uac/soi-tax-stats-individual-income-tax-returns-line-item-estimates>

² The Sec. 25(C) tax credit, referred to by the IRS on IRS form 5695 as "Residential Energy Credits," is comprised of two provisions: the first, for "qualified energy efficiency improvements," and the second for "residential energy property costs." The biomass stove tax credit is part of the latter.

³ IRS, 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: <https://www.irs.gov/uac/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>

The tax credit for purchasing a qualifying biomass stove has the potential to not only help U.S. tax payers make an upfront purchase for a long-term investment, but also to help a well-seasoned industry that is addressing the multitude of challenges that come with a new regulation. Some may argue that energy tax credits only serve to artificially support fledgling industries. That is not the case with the biomass stove industry. Manufacturers and retailers of wood and pellet stoves are almost all small businesses that are proud of the long tradition of their company and role in the development of the biomass stove industry. Today's EPA-certified stoves are highly efficient, clean burning, are up to 50 percent more energy efficient than stoves made before 1990, and can use 1/3 less wood for the same heat.⁴ The biomass stove industry and the EPA both strongly agree that the investment in a new EPA-certified stove is well worth the cost and adoption of these new technologies would be accelerated with the existence of a strong, stable biomass stove tax credit.

We urge you to renew the biomass stove tax credit, part of Sec. 25(C), as you consider any year-end tax proposals. We believe strongly that action this year on energy tax credits will make them more effective and beneficial for U.S. tax payers. Thank you for your consideration of our request and we hope to be a resource to you and your staff as these discussions continue.

Sincerely,



Rachel Feinstein
Manager – Government Affairs
Hearth, Patio & Barbecue Association

⁴ Environmental Protection Agency. Burn Wise Energy Efficiency. Accessed November 8, 2016 from <https://www.epa.gov/burnwise/burn-wise-energy-efficiency>.