



July 27, 2009

## **Advanced Main Air Circulating Fan Federal Tax Credit Update**

We have received a number of inquiries concerning Boyertown Furnace Company warm air furnaces in conjunction with the American Recovery and Reinvestment Act of 2009. Consumers are wondering how they can qualify for a portion of the ARRA 30% tax credit for the advanced main air circulating fan or ECM applications. The IRS passed an interim guide on how to calculate the value for ARRA tax credit purposes of an advanced main air circulating fan for oil furnaces. The actual IRS guidance is listed below.

“ If the furnace is not qualified energy property, but the furnace’s main air circulating fan is qualified energy property, **only the amount paid or incurred to purchase and install the fan are taken into account determining the amount of the credit** under § 25C. In such case

- (1) The amount paid or incurred to purchase and install the main air circulating fan may be determined by any method that reasonably allocates costs between the fan and other components of the furnace;
- (2) **The manufacturer of the furnace may determine using any reasonable method, the percentage of the cost of the furnace that is allocable to the fan** and inform taxpayers of the percentage in the certification it provides under section 6 of this notice; and
- (3) **A taxpayer may treat this percentage** of the total amount paid or incurred to purchase and install the furnace **as the amount paid or incurred to purchase and install the advanced main air circulating fan.”**

In section 2 of the American Reinvestment Act, the IRS allows Boyertown Furnace Company, as a manufacturer to calculate the cost of the advanced fan as a percent of the total cost of the unit. Taxpayer’s can then use this percent to calculate the percent of the total cost of the installed furnace or packaged unit that qualifies for the tax credit.

For the dealers, you will need to furnish homeowners with the following information;

- (1). Total cost of installed system
- (2). Cost of the qualifying **installed furnace**
- (3). Percentage cost of the advanced main circulating fan
- (4). Qualifying tax credit percentage

If a furnace with the qualifying advanced main air circulating fan is installed as a part of a split system you will need to:

(1). Give homeowners an estimate of the cost of installing the furnace portion of the system. You should include both the price of the furnace and the cost to install it. You should include this estimate with the final invoice to the homeowner so that they have information to calculate their tax credit.

The examples cited below may vary depending upon product and installation criteria.

Total cost of installed system	\$10,000.00	
Cost of installed furnace	\$4,000.00	
Percent cost of advanced fan	33%	\$4000.00 x 33% = \$1320.00
Qualifying tax credit	30%	\$1320.00 x 30% = \$396.00
Total amount of tax credit		\$396.00

Furnace Model Description	Qualifying Percent
LB 750 FF ECM	30%
LB 750 RF ECM	30%
HB 750 ECM	29%
LB 1000 FF ECM	30%
LB 1000 RF ECM	30%
HB 1000 ECM	29%
LBD 85 ECM	33%
HBD 85 ECM	33%
LBD 115 ECM	32%
HBD 115 ECM	32%

Enclosed please find a copy of Boyertown Furnace manufacturer's certificates for qualified furnaces. The tax credit is calculated as a percent of the total cost of the furnace. This percentage of the advanced main air circulating fan's cost is what we are able to document as the recommended allocable percentage for tax credits.

How are the **Hallmark ECM**, **Regal ECM** or the **EFM ECM** considered a "Qualified Energy Property"?

Section 2.03

(g) A fan that is used in a natural gas, propane, or oil furnace and has an annual electricity use of no more than two percent of the total annual site energy use of the furnace (as determined in the standard DOE test procedure).

If a dealer has installed a qualified Boyertown Furnace product as an advanced main air circulating fan in 2009 or 2010 the homeowner is eligible for the credit. If it was installed as part of a system the dealer will need to give the homeowner an estimate of the installed furnace cost, so that the homeowner can properly calculate their tax credit.

Requirements to claim the credit. A taxpayer may claim a credit under §25C with respect to amounts paid or incurred for an item of property only if each of the following requirements is satisfied.

(a) The item is installed in or on a dwelling unit located in the United States and, at the time of installation, the dwelling unit is owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of § 121). Thus the credit is only available for existing homes.