

# Wood and Pellet Heater Investment Tax Credit

What do consumers need to know?



## A New Tax Credit for Modern Wood & Pellet Heat

With the August 16th, 2022 signing of the Inflation Reduction Act, high-efficiency biomass heating products once again qualify for a tax credit under Section 25(C) of the tax code.



This is a 30% tax credit - capped at \$2000 annually - based on the full cost (purchase and installation) of the unit.



## What qualifies?

- **Installed between January 1, 2023 and December 31, 2025** in a new or existing home (primary or secondary home)
- The wood heater burns biomass as a fuel, heats air or water, and is at least 75 percent efficient per the higher heating value (HHV) of the fuel
- Both purchase and installation costs (venting and related materials; on site labor) can be included in your total cost

## How to find qualifying stoves

- Look at the EPA certified wood heaters database  
 [bit.ly/EPAcertifiedstoves](https://bit.ly/EPAcertifiedstoves)
- Visit your local hearth retailer to find a qualifying heater  
 [www.hpba.org/Resources/Store-Locator](https://www.hpba.org/Resources/Store-Locator)

### Credit Carryforward

The residential energy property credit is nonrefundable. A nonrefundable tax credit allows taxpayers to lower their tax liability to zero, but not below zero.

A taxpayer may carry the Sec. 25(C) credit forward to future tax years to further reduce tax liability in future years.

## What paperwork you should keep for tax records

- Purchase receipt, including cost of product and installation
- The manufacturer certificate stating that the stove qualifies for the credit and is at least 75 percent efficient HHV



## How to claim the Sec. 25(C) credit

- Claim the credit on your federal income tax return in the year in which product installation was complete.
- **File Via Tax Software:** Located in the "credits" section of the Federal portion under home ownership and residential energy credit.
- **File Via U.S. Mail:** This credit would be claimed on line 5 of IRS form 5695 under "Residential Energy Efficient Property Credit."

Learn more at  
[bit.ly/StoveTaxCredit](https://bit.ly/StoveTaxCredit)