

NOT-120804-06

### Part III - Administrative, Procedural, and Miscellaneous

#### Clarification of Notice 2006-26

#### Notice 2006-53

On February 22, 2006, the Service issued Notice 2006-26. This Notice clarifies that section 4.04 of Notice 2006-26 should read as follows:

**.04 Specifically and Primarily Designed.** A component is not specifically and primarily designed to reduce heat loss or gain of a dwelling unit if it provides structural support or a finished surface, as in the case of drywall or siding. In addition, a component is not specifically and primarily designed to reduce heat loss or gain of a dwelling unit if its principal purpose is to serve any function unrelated to the reduction of heat loss or gain. For purposes of the preceding sentence, the principal purpose of a component serves functions unrelated to the reduction of heat loss or gain if--

- (1) Production costs attributable to features other than those that reduce heat loss or gain exceed production costs attributable to features that reduce heat loss or gain; or
- (2) The facts and circumstances otherwise establish that the component's principal purpose is to serve a function other than heat loss or gain.

Taxpayers who purchased siding on or before June 26, 2006 may rely on a manufacturer's certification that the siding is an Eligible Building Envelope Component for purposes of the section 25C credit. A manufacturer will not be subject to penalties under § 7206 or § 6701 on account of a certification that siding is an Eligible Building Envelope Component under section 4.02 of Notice 2006-26 unless the manufacturer

continues to provide the certification to purchasers of the siding after June 26, 2006.

#### DRAFTING INFORMATION

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