



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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Dear Ms. Kilroy:

This letter responds to an inquiry dated October 27, 2009, from you and your colleagues on behalf of the \_\_\_\_\_, about the credit for non-business energy property under section 25C of the Internal Revenue Code (the Code). \_\_\_\_\_ asked whether customers who purchase insulated vinyl siding may claim the section 25C credit for a portion of the cost related to the insulation component of the product.

Homeowners can take a 30 percent tax credit for expenditures for an energy efficient building envelope component (Section 25C of the Code). A building envelope component includes an insulation material or system that is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit and that meets certain energy efficiency standards. To qualify for the credit, a homeowner must install the insulation material or system in or on a dwelling unit that he or she owns and uses as a principal residence. The total amount of the credit a homeowner can claim for taxable years beginning in 2009 and 2010 is limited to \$1,500.

We have concluded that because insulated siding provides structural support or a finished surface, it fails the statutory requirement that an insulation material or system must be specifically and primarily designed to reduce heat loss or gain of a dwelling unit. We published this conclusion in section 4.03 of Notice 2009-53, 2009-25 I.R.B. 1095, on June 22, 2009. We also published it in Notice 2006-26 (March 13, 2006), Notice 2006-53 (June 26, 2006), and Notice 2006-71 (August 21, 2006). The statutory requirement that the insulation material or system must be specifically and primarily designed to reduce heat loss or gain applies to the component the homeowner purchased. This component is the vinyl siding, not a portion of cost of the siding that serves an insulation function.

I hope this information is helpful in addressing your concerns. I am sending a similar letter to your colleagues. If you need further assistance on this matter, please call me or \_\_\_\_\_ at \_\_\_\_\_.

Sincerely,

Charles B. Ramsey  
Chief, Branch 6  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)