



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

OFFICE OF THE CHIEF COUNSEL

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UIL: 25C.00-00

The Honorable George LeMieux  
United States Senator  
201 South Orange Avenue, Suite 350  
Orlando, FL 23801

Attention:

Dear Senator LeMieux:

I am responding to your inquiry dated March 19, 2010, on behalf of your constituent, [redacted] purchased a heat pump in 2009. [redacted] chose his heat pump because it met all of the requirements for the tax credit. [redacted] believed he would receive a \$1,500 tax credit because the heat pump manufacturer provided a flyer to [redacted] stating that if a taxpayer owes no tax liability, the taxpayer can expect a \$1,500 refund.

The law allows a taxpayer a credit in the amount of 30 percent of expenditures for qualified energy property including certain heat pumps (section 25C of the Internal Revenue Code). The law caps the credit at \$1,500 for the combined 2009 and 2010 tax years.

The Congress provided that this tax credit is nonrefundable. A nonrefundable tax credit can only decrease or eliminate a tax liability. A taxpayer will not receive a refund for any amount that exceeds his or her tax liability for the year. Generally, [redacted] would only be eligible for the full \$1,500 tax credit if he had either paid \$1,500 in taxes during the taxable year or owed \$1,500 in taxes at the end of the year. In contrast, when a tax credit is refundable, a taxpayer will receive a tax refund even if the taxpayer's tax liability is already reduced to zero or the taxpayer pays no tax at all.

I am sorry that [redacted] received erroneous information from the manufacturer of the product. We understand that he is frustrated about receiving incorrect information. We work to provide taxpayers with information about the tax credits through communications such as our website and telephone hotlines. We want to make this information easy to find for both consumers and manufacturers. I have enclosed a Q&A page from our website discussing Energy Incentives for Individuals. The third answer on the document explains that this credit is nonrefundable and will only allow a taxpayer

to lower his or her tax liability to zero. Unfortunately, we cannot ensure that manufacturers will always be aware of and provide the correct information to their customers.

I hope this information is helpful. If you have any questions on this matter, please contact \_\_\_\_\_ at \_\_\_\_\_ or me at \_\_\_\_\_ for further assistance.

Sincerely,

Curt G. Wilson  
Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosure