

## **Energy Tax Credits Fact Sheet**

### ***Biomass (Wood) Stoves***

For most Montanans, biomass is the heat source formerly known as wood.

Some home heating units today are designed to burn a variety of biomass feedstock. In some regions corn may be used — even the cob. Grains, grasses, and even cherry pits have local or regional followings as a heating fuel. For most of us in Montana, the regional following for biomass means a feedstock of solid wood fuel or pellets manufactured from sawdust or other forest byproducts. Wood that is run through a hammer mill is called “hogged” fuel. Chipped and ground wood fuel is also seen, but these products are more typically used in large conveyor-fed or auger-fed commercial applications.

Burning biomass feedstock in Montana offers certain economic and perhaps even environmental advantages. Wood from our “red forests” can be burned in a controlled fashion. Still, air quality issues remain, particularly in certain valleys prone to winter inversions.

#### **Types of Biomass Heaters**

A variety of commercial biomass stoves and heating units are suitable to our climate and conditions. They can be divided generally into 1.) solid fuel wood-burning units, and 2.) pellet stoves. Either style can be sold as a freestanding unit or as an insert into an existing fireplace. Freestanding outdoor units that burn solid wood fuel are becoming more common in our region. These systems are usually designed to heat water or air that is transported to a nearby dwelling for space heating purposes.

Household-size biomass burning units may or may not be fitted with a catalytic after-burn device to meet federal emissions ratings. Compared to most non-catalytic stoves, these units contribute less particulates and other air pollutants, but at a higher purchase price. Manufacturers of units that burn solid wood can now meet comparatively high efficiency standards without use of catalytic devices. This is accomplished through smaller combustion chambers, baffles, and generally higher combustion temperatures. Biomass heaters that burn pellets offer high efficiencies and are generally not fitted with catalytic devices.

#### **Tax Credits**

The Environmental Protection Agency (EPA) is the federal certifying agency for biomass stoves. Montana looks to EPA’s lead in the use of these devices and to establish an emissions threshold for state tax credits. Consumers should look for a permanent EPA label affixed to any biomass stove under consideration for purchase. In addition, a temporary, removable EPA label should list the emissions rate and overall efficiency of the model as well as other information.

#### **Montana Credit**

A Montana state credit up to \$500 per taxpayer remains in effect. To claim the Montana credit, the appliance must meet the Environmental Protection Agency (EPA) standard 40 CFR 60.533 as listed on

the back of state tax form ENRG-B. This is from the Code of Federal Regulations (CFR) that broadly governs emissions from combustion.

Any new wood pellet stove qualifies for the \$500 Montana credit. So do outdoor wood- burning appliances that meet EPA standards Method 28 OWHH. Qualified fireplace inserts may also be claimed. A masonry heater constructed or installed in compliance with the requirements for masonry heaters in the International Residential Code for One- or Two- Family Dwellings. Couples may each claim the 25 percent investment credit up to \$1,000. Use the alternative energy tax form ENRG-B to claim the state credit.

### **Resources**

Check the Montana Department of Revenue website for details on state requirements for these biomass products as well as all energy tax credits currently available. A 2014 version of Montana tax form ENRG-B is available at: <http://revenue.mt.gov/home.aspx>

The Environmental Protection Agency website for wood burning stoves is available at: [www.epa.gov/burnwise/woodstoves.html](http://www.epa.gov/burnwise/woodstoves.html) A full listing of manufacturers, products and efficiency ratings are offered, but check manufacturers' websites for certification of specific models.

The Hearth, Patio and Barbecue Association (HPBA) is a trade organization that tracks developments in the wood stove industry. Its website for biomass issues is at: [www.hpba.org/consumers/hearth](http://www.hpba.org/consumers/hearth)

### **Commonly Asked Questions**

**Q:** My stove required purchase and installation of a chimney and outside combustion air ducting. Can I claim those expenses?

**A:** Yes, for the state credit only. Associated costs to bring the installation up to safe operating standards can be claimed in Montana. The federal credit is for the purchase of the appliance only.

**Q:** Can my spouse and I both file for the state credits, doubling the amounts?

**A:** Yes. Each taxpayer, showing an independent investment in the product, can claim the deduction. Check with the Department of Revenue website or your tax accountant.