

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Section 25C Energy Efficient Home Improvements Credit Qualified Manufacturer Requirements
OMB Control Number 1545-NEW

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Congress originally enacted section 25C in section 1333(a) of the Energy Policy Act of 2005, Public Law 109-58, 119 Stat. 594, 1026 (August 8, 2005) to provide a credit for “nonbusiness energy property” for the purchase and installation of certain energy efficient improvements in taxpayers’ principal residences. Congress has amended section 25C several times, most recently by section 13301 of Public Law 117-169, 136 Stat. 1818, 1941 (August 16, 2022), commonly known as the Inflation Reduction Act of 2022 (IRA), which renamed this provision the “energy efficient home improvement credit.” Before Congress enacted the IRA, section 25C had expired on December 31, 2021.

Section 13301(a) of the IRA amended section 25C(g) to make the section 25C credit available from January 1, 2022, through December 31, 2032. Section 13301(b) of the IRA amended section 25C(a) generally to allow a credit for 30 percent of amounts that individual taxpayers pay or incur during a taxable year for qualified energy efficiency improvements installed during such taxable year, residential energy property expenditures, and home energy audits. Section 13301(i)(3) of the IRA provides that amendments made by section 13301(g) of the IRA relating to the requirement to include a PIN on a return, and the requirements that qualified manufacturers agree to assign PINs to individual items of specified property, to label each such items with a PIN, and to make periodic reports to the IRS regarding such specified property apply to property placed in service after December 31, 2024.

These proposed regulations describe the procedures for a manufacturer of certain home energy efficiency products be treated as a “qualified manufacturer” (QM) under section 25C(h) of the Internal Revenue Code, to satisfy the product identification number (PIN) assignment and labeling requirements in section 25C(h)(3)(A) and (B), and to satisfy the requirement to provide periodic written reports under section 25C(h)(3)(C).

For a credit for specified property to be allowed under section 25C, section 25C(h)(3) and its associated regulations require manufacturers to enter into a written agreement with the Internal Revenue Service (IRS) under which the manufacturer agrees to assign PINs to specified property, to label each item of specified property, and to make periodic reports to the IRS of the PINs and other information as the Secretary may require with respect to each item of specified property. Additionally, in the event a manufacturer’s registration is revoked, suspended or denied, manufacturers will have the opportunity to appeal the IRS determination by requesting an administrative review. IRS is obtaining OMB approval for these reporting and third-party disclosure requirements. The likely respondents are businesses and other for-profit entities.

2. USE OF DATA

The data will be used by manufacturers of specified property under section 25C(h)(4) to register with the IRS as qualified manufacturers able to assign product identification numbers for section 25C purposes. The IRS will further use the information to monitor and validate product identification numbers submitted by the qualified manufacturer through the IRS Energy Credits Online Portal to confirm taxpayer eligibility for the Energy Efficient Home Improvement Credit.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The IRS created the IRS Energy Credits Online Portal for qualified manufacturers to register and provide the requisite information, such as the periodic reporting.

4. EFFORTS TO IDENTIFY DUPLICATION

There is no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The collection of information is not expected to have a burden on small businesses.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

The information required is needed to verify compliance with the IRC and Treasury regulations. A less frequent collection of taxes and tax information could adversely affect the government's effectiveness and would reduce the oversight of the public in ensuring compliance with the IRC and hinder the IRS from meeting its mission.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Proposed regulations (REG-118264-23) published October 25, 2024, at 89 FR 85099, requested public comments and recommendations on the information collections. Any comments received on the information collections will be addressed within the Final Rule submission.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request, and a Privacy Act System of Records notice (SORN) has been issued for these systems under Treasury/IRS 22.062 - Electronic Filing Records; Treasury/IRS 24.030 - Customer Account Data Engine (CADE) Individual Master File; Treasury/IRS 24.046 - CADE Business Master File (BMF); Treasury/IRS 34.037 - Audit Trail and Security Records. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/privacy-disclosure/privacy-impact-assessments-pia>.

Title 26 U.S.C. 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

IRC section 25C(h) requires manufacturers of specified property to disclose information and authorizes the IRS to develop a program for manufacturers to register as qualified manufacturers. Qualified manufacturers can issue product identification numbers for specified property for taxpayers to report on their returns when claiming a section 25C credit. The IRS anticipates that there could be approximately 2,100 initial registrants. Additionally, while IRS is providing a process by which disqualified manufacturers can appeal the IRS determination, IRS anticipates that less than 1% of registrants would use the appeals process. The estimated burden for these reporting and third-party disclosures is shown below.

Authority	Description	# of Respondents	# Responses per Respondent	# of Responses per Year	Hours per Response	Total Burden Hours
IRC 25C	Qualified Manufacturer Registration	2,100	1	2,100	2	4,200
IRC 25C	Manufacturer Periodic Reporting	2,100	1	2,100	0.25	525
IRC 25C	PIN Labelling	2,100	varies*	4,200,000	0.25	1,050,000
IRC 25C	Appeals	21	1	21	1	21
Totals		2100		4,204,221		1,054,746

**varies based on manufacturer: IRS anticipates that 1 manufacturer may have multiple products that qualify for the 25C credit. For calculation purposes, IRS is estimating that 1 manufacturer could have 2,000 products that qualify.*

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no start-up or maintenance costs for this collection. The collection does not require respondents to obtain specialized equipment or professional services.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no cost to the government for the third-party disclosure requirements.

15. REASONS FOR CHANGE IN BURDEN

There are no changes in burden. This is a new collection requirement.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis, and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

The IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the collection expires as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.