



INSULATION CONTRACTORS ASSOCIATION OF AMERICA

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To: INTERNAL REVENUE SERVICE
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Insulation Contractors Association of America (ICAA) respectfully requests that the IRS include in the calculation of the tax credit the installation costs associated with the installation of Eligible Building Envelope Components.¹

We submit that the IRS did not consider the following factors in its previous determination excluding installation costs for Eligible Building Envelope Components.

(1) IRS Permits Installation Cost Recovery for Energy-Efficient Property. Permitting recovery of installation costs of energy-efficient property while excluding the recovery of installation costs of insulation material is akin to punishing the insulation contracting industry while rewarding the plumbing, heating, and cooling contracting industry.²

¹ Installation costs are not eligible for the tax credit with respect to Eligible Building Envelope Components. See IRS Notice 2006-26, Section 4.06.

² Installation costs are recoverable for the tax credit with respect to Qualified Energy Property. See IRS Notice 2006-26, Section 5.01.

(2) Insulation Added to Existing Homes is Manufactured On-Site.

Nearly all insulations that are added to existing homes are in the form of loose-fill blown insulation. The raw insulation material from the manufacturer must be converted by laborers to a finished product with the use of a pneumatic blowing machine. Laborers insert raw insulation material into the blowing machine to convert the raw material into a usable finished product that can then achieve the prescribed R-value. Therefore, installation is part and parcel of the finished product. Without the installation component required to condition the material prior to application, the material would remain unfit for application. It is only with installation that the insulation material becomes a finished product and meets the prescribed R-value.

(3) Notice 2006-26 Not In Agreement with Section 25C of IRC.

Section 25C of the Internal Revenue Code and the Energy Policy Act of 2005 do not exclude the expenditure for installation costs associated with energy efficiency improvements.³ However, the IRS Notice 2006-26 excludes the expenditure for installation costs associated with energy efficiency improvements. Was this perhaps a technical drafting error to eliminate installation costs for Eligible Building Envelope Components?

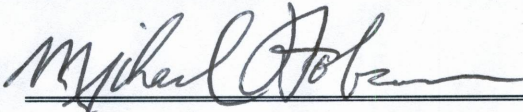
³ Energy Policy Act 2005, Sec. 1333(a), established new IRC Sec. 25C

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April 30, 2009

I will contact your office in a few days to review this matter.
Thank you for your consideration.

Respectfully submitted,

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