



Asphalt Roofing Products and the Homeowner Energy-Efficiency Tax Credit (IRC Sec. 25C)

ISSUE

Language extending the homeowner energy-efficiency tax credit (Internal Revenue Code Sec. 25C) in the American Taxpayer Relief Act of 2012 must be clarified so that all asphalt roofing products that meet or exceed EPA ENERGY STAR® requirements properly qualify for the credit.

BACKGROUND

The Energy Policy Act of 2005's list of eligible components for the homeowner energy-efficiency tax credit originally had only one roofing product: "any metal roof with appropriate pigmented coatings that are specifically and primarily designed to reduce the heat gain of a dwelling unit and meet or exceed ENERGY STAR® requirements." The Emergency Economic Stabilization Act of 2008 expanded eligibility to include asphalt roofs with cooling granules and/or pigmented coatings. The American Recovery and Reinvestment Act of 2009 raised the credit from 10 to 30 percent with a \$1,500 cap for all qualifying property and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extended it through 2011, but at pre-stimulus bill levels (10 percent/\$500 cap). The American Taxpayer Relief Act of 2012 extended the credit at these levels through Dec. 31, 2013.

Regrettably, the language that made asphalt roofing products eligible for the credit in 2008 is confusing and the IRS has defaulted to a restrictive interpretation that ties the credit exclusively to cooling granules and excludes asphalt products with pigmented coatings. This interpretation mistakenly assumes that pigmented coatings are only applied to metal roofs and arbitrarily limits their usage in the marketplace. Furthermore, the IRS has construed the language to suggest that only asphalt shingles are used on homes, when, in fact, many homes that do not have steep-slope roofs use other asphalt roofing products, too.

Roof coatings, or what has been referred to by the metal industry as pigmented coatings, are defined in the **EPA ENERGY STAR® Program Requirements for Roofing Products, Partner Commitments** as:

A material typically applied in the liquid state to the roof surface at the time of construction or at a later time as a retrofit measure. Roof coatings may include bituminous, polymeric, polymer modified, epoxy based, or other formulations. Bituminous roof coatings are formulated using bitumen. Polymeric roof coatings are formulated using a variety of synthetic resins such as acrylic, neoprene, styrene butadiene, urethane, polyvinyl acetate, and other. Polymer modified roof coatings are manufactured by combining a portion of the polymeric technology with bitumen technology.

Thus, roof coatings are used with metal, asphaltic or other roof surfaces. However, as explained, when Congress added asphalt roofing as an eligible component for 25C, the IRS linked it exclusively to reflective granules and precluded reflective coatings that should qualify on asphaltic roof surfaces. This is despite the fact that per the **EPA ENERGY STAR® Program Requirements for Roofing Products, Partner Commitments** such surfaces comprise all asphalt roofing systems including Built-Up-Roofing (BUR) and Modified Bitumen in addition to Asphalt Shingles.

SOLUTION

Congress must clarify the legislative text that made asphalt roofing products eligible for the homeowner energy-efficiency tax credit (25C) to have the IRS acknowledge that asphaltic roofs coated with reflective (pigmented) coatings that meet or exceed ENERGY STAR® program requirements qualify for the credit.

BENEFITS

Clarifying 25C will act as an incentive to expand the number of cool roofs installed via coating technology and improve building energy efficiency by increasing the albedo (reflectivity) of roofing. This would be generated through the marketplace by adding more products to the list of eligible components for the homeowner tax credit, giving consumers a broader and more accurate selection of qualified products for their homes.

CONTACT

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