international sales of items that are prohibited from being trafficked under Federal law, and collaborating with the Native Working Group, the NAGPRA Review Committee, and the Cultural Heritage Coordinating Committee.

Subpart G—Native Working Group

§ 1194.601 What is the relationship between the Office and the Native Working Group?

The Office will provide administrative support to the Native Working Group.

§ 1194.602 What is the membership of the Native Working Group?

(a) The Native Working Group is composed of representatives of Indian Tribes and Native Hawaiian organizations with relevant expertise.

(b) There are thirteen members of the Native Working Group: one representing Indian Tribes in each Bureau of Indian Affairs Region, and one representing Native Hawaiian organizations.

(c) The members of the Native Working Group are appointed by the Secretary for an initial term of four years. A member may be reappointed for a term of two years.

(d) Any Indian Tribe or Native Hawaiian organization may nominate a person from a particular BIA Region or Hawai'i for membership, even if that Indian Tribe or Native Hawaiian organization is not in that Region or in Hawai'i. The Office will recommend a list of candidates to the Secretary, in coordination with the Interagency Working Group convened under subpart F of this part.

§ 1194.603 What are the duties of the Native Working Group?

(a) The Native Working Group may provide recommendations for Federal agency action regarding:

(1) The voluntary return of tangible cultural heritage by collectors, dealers, and other individuals and non-Federal organizations that hold such tangible cultural heritage; and

(2) The elimination of illegal commerce of cultural items and archaeological resources in the United States and foreign markets.

(b) Such recommendations shall be considered fully by affected agencies, but shall not be binding upon any affected agency.

(c) The Office of Tribal Justice shall represent the Department of Justice with regard to relevant matters before the Native Working Group including receiving formal requests to initiate agency actions and to provide information and assistance to the Native Working Group. Requests to initiate litigation will be directed by the Office of Tribal Justice to the appropriate litigation component within the Department of Justice.

(d) Upon request from the Native Working Group, the Department of State, in coordination with the Department of Justice when judicial proceedings are initiated either domestically or abroad, may initiate dialog through U.S. missions abroad, in coordination with the Department of State's Cultural Heritage Center, with appropriate foreign government offices.

(e) The Native Working Group may also request information or assistance from:

(1) The Department of the Interior;

(2) The Department of Justice;

(3) The Department of Homeland Security;

(4) The Department of State;

(5) The Review Committee established under section 8(a) of NAGPRA;

(6) The Cultural Heritage Coordinating Committee established pursuant to section 2 of the Protect and Preserve International Cultural Property Act; or

(7) Any other relevant Federal agency, committee, or working group.

Bryan Newland,

Assistant Secretary—Indian Affairs.

[FR Doc. 2024–24332 Filed 10–24–24; 8:45 am]

BILLING CODE 4337–15–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG–118264–23]

RIN 1545–BR27

Energy Efficient Home Improvement Credit

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations regarding the energy efficient home improvement credit as modified by the Inflation Reduction Act of 2022 (IRA). The proposed regulations would affect manufacturers of specified property who want to become qualified manufacturers and eligible taxpayers who place in service certain home improvement property. The proposed regulations would provide rules for manufacturers of specified property to register to be qualified manufacturers and satisfy certain other requirements, and rules for taxpayers to calculate the credit.

DATES: Written or electronic comments must be received by December 24, 2024. A public hearing on these proposed regulations is scheduled to be held on January 21, 2025, at 10 a.m. ET. Requests to speak and outlines of topics to be discussed at the public hearing must be received by December 24, 2024. If no outlines are received by December 24, 2024, the public hearing will be cancelled. Requests to attend the public hearing must be received by 5 p.m. ET on January 17, 2025. The public hearing will be made accessible to people with disabilities. Requests for special assistance during the hearing must be received by January 16, 2025.

ADDRESSES: Commenters are strongly encouraged to submit public comments electronically. Submit electronic submissions via the Federal eRulemaking Portal at *https://www.regulations.gov* (indicate IRS and REG–118264–23) by following the online instructions for submitting comments. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comments submitted to the IRS's public docket. Send paper submissions to: CC:PA:01:PR (REG–118264–23), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, contact the Office of Associate Chief Counsel (Passthroughs & Special Industries) at (202) 317–6853 (not a toll-free number). Concerning submissions of comments and requests for a public hearing, contact the Publications and Regulations Section of the Office of Associate Chief Counsel (Procedure and Administration) by email at *publichearings@irs.gov* (preferred) or by telephone at (202) 317–6901 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Authority

This notice of proposed rulemaking contains proposed amendments to the Income Tax Regulations (26 CFR part 1) that would implement section 25C of the Internal Revenue Code (Code), as amended 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). The proposed additions are issued by the Secretary of the Treasury

or her delegate (Secretary) under the authority granted under sections 25C(b)(6)(B) and (h)(3), and 7805(a) of the Code (proposed regulations).

Section 25C(b)(6)(B) provides a specific delegation of authority related to the substantiation requirement for home energy audits: ''No credit shall be allowed under this section by reason of subsection (a)(3) unless the taxpayer includes with the taxpayer's return of tax such information or documentation as the Secretary may require.'' Section 25C(h)(3), as applicable to property placed in service after December 31, 2024, provides specific delegations of authority to the Secretary related to the product identification number requirement that must be satisfied by qualified manufacturers, including the authority to enter into an agreement with a manufacturer that provides ''that such manufacturer will . . . assign a product identification number to each item of specified property produced by such manufacturer utilizing a methodology that will ensure that such number (including any alphanumeric) is unique to each such item (by utilizing numbers or letters which are unique to such manufacturer or by such other method as the Secretary may provide), . . . label such item with such number in such manner as the Secretary may provide, and . . . make periodic written reports to the Secretary (at such times and in such manner as the Secretary may provide) of the product identification numbers so assigned and including such information as the Secretary may require with respect to the item of specified property to which such number was so assigned.'' Finally, section 7805(a) authorizes the Secretary to prescribe all needful rules and regulations for the enforcement of the Code.

Background

I. IRA Amendments to Section 25C

Congress originally enacted section 25C of the Code 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 ''nonbusiness energy property credit'' for the purchase and installation of certain energy efficient improvements in a taxpayer's principal residence. Congress has amended section 25C several times, most recently by section 13301 of the IRA, which renamed this provision the ''energy efficient home improvement credit.''

Former section 25C expired with respect to any property placed in service after December 31, 2021. Section 13301(i) of the IRA provides that except as otherwise provided in section 13301(i)(2) and (3), the IRA amendments to section 25C apply to property placed in service after December 31, 2022. Section 13301(i)(2) of the IRA provides that the amendments made by section 13301(a) of the IRA apply to property placed in service after December 31, 2021. Section 13301(a) of the IRA extended the credit allowed under section 25C with respect to any property placed in service through December 31, 2032. Section 13301(i)(3) of the IRA provides that the amendments made by section 13301(g) of the IRA apply to property placed in service after December 31, 2024. Section 13301(g) of the IRA amended section 25C by redesignating former subsection (h) as subsection (i) and inserting a new subsection (h) (described in part I.C. of this Background).

Section 25C, as amended by section 13301(b) and (f) of the IRA, allows an individual taxpayer (taxpayer) a credit for the taxable year (section 25C credit) equal to 30 percent of the total amount paid or incurred by the taxpayer during such taxable year for qualified energy efficiency improvements installed during such taxable year, residential energy property expenditures, and home energy audits.

A. Credit Amount and Limitations

As amended by section 13301(c) of the IRA, the amount of the section 25C credit generally is limited under section 25C(b)(1) to $1,200 with respect to any taxpayer for any taxable year. Within this $1,200 limitation, section 25C(b) sets forth further annual limitations for certain categories of improvements. Section 25C(b)(2) provides that the credit allowed under section 25C(a)(2) is limited to $600 with respect to any taxpayer for any taxable year with respect to any item of qualified energy property. Section 25C(b)(3) provides that the credit allowed under section 25C(a)(1) with respect to any taxpayer for any taxable year is limited to $600 in the aggregate with respect to all exterior windows and skylights. Section 25C(b)(4) provides that the credit allowed under section 25C(a)(1) with respect to any taxpayer for any taxable year is limited to $250 in the case of any exterior door and $500 in the aggregate with respect to all exterior doors. Section 25C(b)(6) limits the credit allowed under section 25C(a)(3) for a home energy audit to $150.

Additionally, notwithstanding the general $1,200 annual limitation (and its internal limitations), section 25C(b)(5) provides that the credit allowed under section 25C(a)(2) with respect to any taxpayer for any taxable year is limited to $2,000 in the aggregate with respect to amounts paid or incurred for an electric or natural gas heat pump water heater described in section 25C(d)(2)(A)(i), an electric or natural gas heat pump described in section 25C(d)(2)(A)(ii), and a biomass stove or boiler described in section 25C(d)(2)(B).

Therefore, a taxpayer could claim a total section 25C credit of $3,200, if the taxpayer has sufficient expenditures in categories of property (or a home energy audit) subject to the $1,200 limitation and in categories of property subject to the $2,000 limitation.

B. Overview of Qualified Energy Efficiency Improvements and Residential Energy Property Expenditures

Section 25C(c)(1) provides that the term ''qualified energy efficiency improvements'' means any ''energy efficient building envelope component'' if such component is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121 of the Code), the original use of such component commences with the taxpayer, and such component reasonably can be expected to remain in use for at least 5 years. Section 25C(c)(2) provides that the term ''energy efficient building envelope component'' means a building envelope component that meets certain energy efficiency requirements. Section 25C(c)(3) provides that the term ''building envelope component'' means any insulation material or system, including air sealing material or system, which is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on such dwelling unit, exterior windows (including skylights), and exterior doors.

Section 25C(d)(1) provides that the term ''residential energy property expenditures'' means expenditures made by the taxpayer for ''qualified energy property'' that is installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer, and that is originally placed in service by the taxpayer. Section 25C(d)(1) also provides that residential energy property expenditures include expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property. Section 25C(d)(2) provides that the term ''qualified energy property'' means several categories of property that satisfy certain energy efficiency standards and other requirements.

C. Qualified Product Identification Number; Qualified Manufacturers; Specified Property

Section 25C(h) provides that no section 25C credit is allowed with respect to any item of specified property (as further described in part II.D. of this Background) that is placed in service after December 31, 2024, unless the item of specified property is produced by a ''qualified manufacturer'' (QM) and the taxpayer includes the ''qualified product identification number'' (PIN) of the item of specified property on the tax return for the taxable year (PIN requirements). Section 25C(h)(2) provides that the term ''qualified product identification number'' means, with respect to any item of specified property, the product identification number assigned to such item by the QM pursuant to the methodology referred to in section 25C(h)(3).

Section 25C(h)(3) provides that the term ''qualified manufacturer'' means any manufacturer of specified property that enters into an agreement with the Secretary that provides that such manufacturer will: (1) assign a product identification number to each item of specified property produced by such manufacturer, using a methodology that will ensure that such number (including any alphanumeric) is unique to each such item, by using numbers or letters unique to such manufacturer or by such other method as the Secretary may provide (PIN assignment requirement); (2) label such item with such product identification number in such manner as the Secretary may provide (PIN labeling requirement); and (3) make periodic written reports to the Secretary (at such times and in such manner as the Secretary may provide) of the product identification numbers so assigned and including such information as the Secretary may require with respect to the items of specified property to which such product identification numbers were so assigned (periodic written report requirement). The PIN assignment requirement, the PIN labeling requirement, and the periodic written report requirement are collectively referred to as the ''QM PIN requirements'' in this preamble.

The proposed regulations aim to provide certainty to manufacturers that want to become QMs and taxpayers who want to claim the section 25C credit, to provide flexibility to manufacturers complying with the QM PIN requirements and taxpayers including PINs on their tax returns, and to facilitate effective administrability of these requirements by the IRS.

D. Specified Property

Section 25C(h)(4) provides that the term ''specified property'' means any qualified energy property and any property described in section 25C(c)(3)(B) (exterior windows, including skylights) or (C) (exterior doors).

Section 25C(d)(2) provides that the term ''qualified energy property'' means any of the following:

(A) Any of the following that meet or exceed the highest efficiency tier (not including any advanced tier) established by the Consortium for Energy Efficiency that is in effect as of the beginning of the calendar year in which the property is placed in service: (i) an electric or natural gas heat pump water heater, (ii) an electric or natural gas heat pump, (iii) a central air conditioner, (iv) a natural gas, propane, or oil water heater, and (v) a natural gas, propane, or oil furnace or hot water boiler.

(B) A biomass stove or boiler that (i) uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and (ii) has a thermal efficiency rating of at least 75 percent (measured by the higher heating value of the fuel).

(C) Any oil furnace or hot water boiler that (i) is placed in service after December 31, 2022, and before January 1, 2027, and (I) meets or exceeds 2021 Energy Star certified efficiency criteria, and (II) is rated by the manufacturer for use with fuel blends at least 20 percent of the volume of which consists of an eligible fuel (defined in section 25C(d)(3)) (eligible fuel), or (ii) is placed in service after December 31, 2026, and (I) achieves an annual fuel utilization efficiency rate of not less than 90, and (II) is rated by the manufacturer for use with fuel blends at least 50 percent of the volume of which consists of an eligible fuel.

(D) Any improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits, or feeders that (i) is installed in a manner consistent with the National Electric Code, (ii) has a load capacity of not less than 200 amps, (iii) is installed in conjunction with (I) any qualified energy efficiency improvements, or (II) any qualified energy property described in section 25C(d)(2)(A) through (C) for which a credit is allowed under section 25C for expenditures with respect to such property, and (iv) enables the installation and use of any qualified energy efficiency improvements or any qualified energy property described in section 25C(d)(2)(A) through (C) for which a credit is allowed under section 25C for expenditures with respect to such property.

II. Prior Guidance and Requests for Comments

A. Notice 2022–48

On October 24, 2022, the Treasury Department and the IRS published Notice 2022–48, 2022–43 I.R.B. 316, which included requests for comments on the amendments to section 25C by section 13301 of the IRA. Specific to section 25C(h), Notice 2022–48 requested comments on what the Treasury Department and the IRS should consider (1) in determining the manner of agreements between the IRS and a QM, (2) in developing a methodology to ensure that each PIN is unique to each item of specified property, (3) in prescribing the manner by which specified property must be labeled with a unique PIN, and (4) in developing the requirements for QM periodic written reports.

B. Notice 2023–59

On August 21, 2023, the Treasury Department and the IRS published Notice 2023–59, 2023–34 I.R.B. 564, which provided, in part, requirements related to home energy audits under section 25C(a)(3) intended to be included in forthcoming proposed regulations. Section 1 of Notice 2023–59 provided that until the issuance of the forthcoming proposed regulations, taxpayers may rely on the rules described in sections 3 through 6 of Notice 2023–59. As discussed further in part II of the Explanation of Provisions section of this preamble, taxpayers may continue to rely on the rules described in section 3 through 6 of Notice 2023–59 after the issuance of the proposed regulations to satisfy the substantiation requirement of section 25C(b)(6)(B).

C. Notice 2024–13

On January 9, 2024, the Treasury Department and the IRS published Notice 2024–13, 2024–05 I.R.B. 618. Notice 2024–13 discussed comments related to the PIN requirements received in response to Notice 2022–48.

Some commenters to Notice 2022–48 suggested using existing numbering systems to satisfy the QM PIN requirements. For example, commenters suggested that manufacturers could use existing product serial numbers to satisfy the PIN assignment requirement. Manufacturers routinely assign serial numbers to specific items, which purportedly achieves the specificity suggested by the statutory text. However, as Notice 2024–13 explained,

the systems that manufacturers employ to assign serial numbers are insufficient for the QM PIN requirements because they are not uniform by product or manufacturer in length, format, or in other respects. These differences would create processing challenges for the IRS and could cause confusion for consumers claiming the section 25C credit. Additionally, some manufacturers change their serial numbers for products over time.

Some commenters to Notice 2022–48 suggested that manufacturers could employ stock-keeping unit numbers (SKUs) to satisfy the QM PIN requirements. However, as Notice 2024–13 explained, SKUs generally reflect the product line of a merchant or manufacturer but are not specific to the unique items of property themselves. Accordingly, serial numbers and SKUs would not constitute satisfactory PINs for the QM PIN requirements.

Similarly, certain categories of products, such as exterior windows, skylights, and exterior doors currently do not have unique serial numbers for each such product manufactured but instead are assigned numbers that identify multiple windows, skylights, or doors as belonging to a specific product line of such items.

Other commenters to Notice 2022–48 suggested using product line numbers or universal product codes (UPCs) to satisfy the QM PIN requirements. Regarding product line numbers, some commenters pointed to the National Fenestration Rating Council's (NFRC) Certified Product Directory for exterior windows, doors, and skylights. However, as explained in Notice 2024–13, because the NFRC system assigns the same number to multiple (or all) items in a specific product line, these numbers would not provide the specificity needed to satisfy the QM PIN requirements. Similarly, UPCs are a multi-character code assigned to products by manufacturers. Manufacturers and others employ UPCs for tracking and selling inventory. Like the NFRC numbers, however, UPCs generally are assigned per product type, and not per specific item. While UPCs can vary based on product differences, they too would not provide the specificity required by the statute. In addition, because many products would bear the same UPC or NFRC number, these numbering conventions would not satisfy the purposes of section 25C(h), which aims to prevent duplicate or fraudulent claims for the section 25C credit for the same item of specified property.

Notice 2024–13 outlined a proposed PIN system that would require manufacturers to register with the IRS as QMs and to assign 17-digit PINs (made up of four parts, discussed further in part IV.B. of the Explanation of Provisions of this preamble) to specified property. Under Notice 2024–13, QMs also would be required to label their products with a unique individual PIN, furnish the PINs (directly or indirectly) to consumers to report on their tax returns when claiming a section 25C credit, and file with the IRS periodic lists of PINs assigned by the QM.

Finally, Notice 2024–13 requested comments on several questions to help inform the development of rules governing the QM PIN requirements. Notice 2024–13 asked manufacturers to detail the different items of specified property that they produce and whether they maintain a universal system for assigning unique identification numbers to items of property. The notice also requested comments on a proposed PIN assignment system.

All comments to Notice 2024–13 have been considered in developing the proposed regulations.

III. Revenue Procedure 2024–31

The proposed regulations would provide general guidance on the section 25C credit, including what property qualifies for the section 25C credit and what limitations apply. The proposed regulations would also provide a safe harbor for certain property that is installed in conjunction with, and enables the installation and use of, other property (see the discussion of enabling property and enabled property in part I.A. of the Explanation of Provisions section of this preamble).

In addition to the proposed regulations, the Treasury Department and the IRS are issuing Revenue Procedure 2024–31, which provides the procedures that manufacturers must follow to become QMs and requirements to comply with the QM PIN requirements. See part IV of the Explanation of Provisions section of this preamble for further discussion of Revenue Procedure 2024–31.

Explanation of Provisions

I. Overview

Proposed § 1.25C–1(a) would provide an overview of the proposed regulations. Proposed § 1.25C–1(b) would provide definitions that apply for purposes of section 25C and the proposed regulations. While most of the definitions would mirror those in the statute, proposed § 1.25C–1(b) also would provide definitions of additional key terms. These terms are described in this section.

A. Enabling and Enabled Property

Proposed § 1.25C–1(b)(5) and (6) would introduce and define the terms ''enabled property'' and ''enabling property,'' which are derived from section 25C(d)(2)(D)(iv). Qualified energy property under section 25C(d)(2)(D) includes any improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits, or feeders, that, among other requirements, is installed in conjunction with any qualified energy efficiency improvements or any other type of qualified energy property for which a section 25C credit is allowed, and enables the installation and use of such property. To simplify these rules, the proposed regulations would refer to such improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits, or feeders under section 25C(d)(2)(D) as ''enabling property,'' and the property the enabling property is installed in conjunction with as ''enabled property.''

B. Energy Star and International Energy Conservation Code Standard

Section 25C(c)(2)(A), (B), and (d)(2)(C)(i)(I) refer to ''Energy Star,'' and section 25C(c)(2)(C) refers to the ''International Energy Conservation Code standard.'' Under section 25C(c)(2)(A), exterior windows and skylights are not qualified energy efficiency improvements unless they meet Energy Star certified most efficient certification requirements. Under section 25C(c)(2)(B), exterior doors are not qualified energy efficiency improvements unless they meet applicable Energy Star certified requirements. Under section 25C(d)(2)(C)(i)(I), oil furnaces and hot water boilers are not qualified energy property unless they meet or exceed 2021 Energy Star certified efficiency criteria. Under section 25C(c)(2)(C), building envelope components other than exterior windows, skylights, and exterior doors are not qualified energy efficiency improvements unless they meet the prescriptive criteria for such components established by the most recent International Energy Conservation Code standard in effect as of the beginning of the calendar year that is 2 years prior to the calendar year in which such component is placed in service.

Proposed § 1.25C–1(b)(8) and (11) would define Energy Star and the International Energy Conservation Code standard. Energy Star is a labeling and rating program administered by the U.S. Environmental Protection Agency (EPA) that helps consumers identify energy-

efficient property. Taxpayers can find out more about Energy Star, including the specific climate zones, at *https://www.energystar.gov.*

The term ''International Energy Conservation Code standard'' as used in section 25C(c)(2)(C) refers to the version of the International Energy Conservation Code in effect for a particular year. The International Energy Conservation Code is a building code established by the International Code Council that sets minimum conservation requirements for new buildings. The version in effect as of the beginning of the calendar year 2 years prior to the 2023 calendar year (*i.e.,* the first year to which the IRA amendments to section 25C apply) would be the 2021 version. The 2021 and later versions of the International Energy Conservation Code can be found at *https://iccsafe.org* (select ''Codes'' at the top of the home page). Subsequent versions of the International Energy Conservation Code will take effect two years after their publication and following a positive determination from the U.S. Secretary of Energy, which can be found at *https://www.energycodes.gov/determinations.*

C. Biomass Stove or Boiler; Higher Heating Value of the Fuel

Section 25C(d)(2)(B) provides that qualified energy property includes a biomass stove or boiler that (i) uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and (ii) has a thermal efficiency rating of at least 75 percent (measured by the higher heating value of the fuel). Proposed § 1.25C–1(b)(17) would describe a biomass stove or boiler under the definition of qualified energy property exactly as provided in section 25C(d)(2)(B), but with the addition of ''as determined by the U.S. Environmental Protection Agency for wood stoves.'' This addition would explain how a taxpayer must determine the thermal efficiency rating under section 25C(d)(2)(B)(ii). The EPA maintains an online database that provides information regarding the thermal efficiency of wood stoves. Adopting this source as a means of determining the thermal efficiency rating of biomass stoves or boilers would provide uniformity and simplicity for such measurements.

D. Placed in Service, Originally Placed in Service and Original Use

Section 25C includes the terms ''placed in service,'' ''originally placed in service,'' and ''original use.''

Under section 25C(c)(2)(C), building envelope components other than exterior windows, skylights, and exterior doors are not qualified energy efficiency improvements unless they meet the prescriptive criteria for such components established by the most recent International Energy Conservation Code standard in effect as of the beginning of the calendar year that is 2 years prior to the calendar year in which such components are placed in service. Whether certain types of property are qualified energy property under section 25C(d)(2)(A) and (C) depends in part on when such property is placed in service. The PIN requirements under section 25C(h) apply to specified property placed in service after December 31, 2024. More broadly, the IRA extended the section 25C credit with respect to any property placed in service through December 31, 2032.

Under section 25C(d)(1)(B), residential energy property expenditures must be for qualified energy property originally placed in service by the taxpayer. Under section 25C(c)(1)(B), the original use of any energy efficient building envelope component must commence with the taxpayer.

In considering the definition of the term ''placed in service'' under section 25C, two sets of rules were considered. First, § 1.167(a)–10(b) generally provides that the period for depreciation of an asset begins when the asset is placed in service and ends when the asset is retired from service. Section 1.167(a)–11 provides general depreciation rules based on class lives and asset depreciation ranges for property placed in service after December 31, 1970. Many of the depreciation rules in § 1.167(a)–11 apply when the property is ''first placed in service.'' Section 1.167(a)–11(e)(1) defines the term ''first placed in service,'' in part, as the time the property is ''first placed in a condition or state of readiness and availability for a specifically assigned function,'' including in a personal activity. Section 1.167(a)–11(e)(1) provides that the provisions of § 1.46–3(d)(1)(ii) and (2), relating to the investment credit, generally apply for the purpose of determining the date on which property is ''placed in service.'' Section 1.46–3(d)(1)(ii) and (2) provides, in part, that property is considered placed in service in the taxable year in which the property is placed in a condition or state of readiness and availability for a specifically assigned function, including in a personal activity.

Second, recently published regulations under section 25E (relating to previously-owned clean vehicles) and section 30D (relating to new clean vehicles) define ''placed in service'' as the date the taxpayer takes possession of the vehicle. See §§ 1.25E–1(b)(10) and 1.30D–2(b)(36). This possession-based standard is not appropriate for the definition of placed in service for purposes of the section 25C credit. Defining ''placed in service'' as the date the taxpayer takes possession of qualified energy efficiency improvements or qualified energy property (together, section 25C property) is contrary to the intent of section 25C, because the energy efficiency of a dwelling unit cannot be improved until the section 25C property is installed. Accordingly, proposed § 1.25C–1(b)(15) would adopt the definition of placed in service in § 1.46–3(d)(1)(ii) as the date on which the section 25C property is placed in a condition or state of readiness and availability for its specifically assigned function.

The determination of whether property is in a condition or state of readiness and availability for its specifically designed function is factual and has been the subject of many administrative rulings and court cases concerning other Code sections. Because installing section 25C property usually will result in the property being ready and available for its specifically assigned function, it is anticipated that installation and placed in service will be synonymous in most cases. Nonetheless, comments are requested on potential circumstances under which installation of section 25C property may be insufficient to consider it placed in service.

Regarding the requirement that qualified energy property be ''originally placed in service'' by the taxpayer for purposes of residential energy property expenditures under section 25C(d)(1)(B), § 1.167(a)–11(e)(1) clarifies that the term ''first placed in service'' refers to the time the property is first placed in service by the taxpayer, not to the first time the property is placed in service. In contrast, section 25C uses the terms ''originally placed in service'' and ''original use.'' Section 25C property can only be ''originally'' placed in service, or ''originally'' used, once; thus, such property must be new. Accordingly, proposed § 1.25C–1(b)(13) would define ''originally placed in service'' to refer to the first time property is placed in service, whether or not by the taxpayer, and ''original use'' to refer to the first use to which the property is put or will be put, whether or not that use

corresponds or will correspond to the use of property by the taxpayer.

The definitions of the terms ''originally placed in service'' and ''original use'' in the proposed regulations are intended to require that section 25C property be new and not used. These definitions would provide simplicity and clarity for taxpayers and manufacturers.

The Treasury Department and the IRS request comments on the definitions in the proposed regulations.

II. General Rules

Proposed § 1.25C–2 would provide general rules regarding the section 25C credit, including how to calculate the credit, what limitations apply, and the effect of certain cross-referenced Code sections on the credit.

Proposed § 1.25C–2(a) would provide the general rule that, subject to certain limitations and rules, section 25C allows a taxpayer a credit for the taxable year equal to 30 percent of the total amount paid or incurred by the taxpayer during such taxable year for qualified energy efficiency improvements installed during such taxable year, residential energy property expenditures, and home energy audits.

Proposed § 1.25C–2(b) would provide limitations on the amount of the section 25C credit. Consistent with section 25C(b)(1), proposed § 1.25C–2(b)(1) would provide that the section 25C credit generally is limited to $1,200 with respect to any taxpayer for any taxable year. Consistent with section 25C(b)(2), (3), and (4), the proposed regulations would provide additional annual limits for certain categories of property within this $1,200 limit. Proposed § 1.25C–2(b)(2)(i) would provide that the credit allowed under section 25C(a)(2) is limited to $600 with respect to any taxpayer for any taxable year with respect to any item of qualified energy property. Proposed § 1.25C–2(b)(3) and (4) would provide that the credit allowed under section 25C(a)(1) with respect to any taxpayer for any taxable year is limited to $600 in the aggregate with respect to all exterior doors and skylights, $250 in the case of any exterior door, and $500 in the aggregate with respect to all exterior doors. Consistent with section 25C(b)(6), proposed § 1.25C–2(b)(5) would provide that the credit allowed under section 25C(a)(3) for a home energy audit is limited to $150. Concerning the substantiation requirement of section 25C(b)(6)(B), taxpayers may continue to rely on the rules described in section 3 through 6 of Notice 2023–59.

Consistent with section 25C(b)(5), and notwithstanding the general $1,200 annual limitation (and its internal, lower limitations), proposed § 1.25C–2(b)(2)(ii) would provide that the credit allowed under section 25C(a)(2) with respect to any taxpayer for any taxable year is limited to $2,000 in the aggregate with respect to amounts paid or incurred for an electric or natural gas heat pump water heater described in section 25C(d)(2)(A)(i), an electric or natural gas heat pump described in section 25C(d)(2)(A)(ii), and a biomass stove or boiler described in section 25C(d)(2)(B).

Proposed § 1.25C–2(c) would provide examples that illustrate the operations of proposed § 1.25C–2(a) and (b).

Proposed § 1.25C–2(d) would provide rules consistent with section 25C(f)(1), which provides that rules similar to the rules in section 25D(e)(4) through (8) apply for purposes of section 25C. Proposed § 1.25C–2(d) would provide that, consistent with sections 25C(f)(1) and 25D(e)(8)(A), a taxpayer's expenditure for an item of property would be treated as made when the original installation of the item is completed.

Proposed § 1.25C–2(e)(1) would provide rules consistent with sections 25C(f)(1) and 25D(e)(8) regarding expenditures made in connection with the reconstruction of or an addition to a dwelling unit. In general, such expenditures would be treated as paid or incurred when the taxpayer's use of the reconstructed or post-addition dwelling unit begins. These rules also would require taxpayers to maintain records that itemize the amount paid or incurred for each item of section 25C property in connection with the reconstruction or addition.

Proposed § 1.25C–2(e)(1) would not allow expenditures made in connection with the original construction of a dwelling unit to be eligible for the section 25C credit. Section 25C allows a credit for improving a dwelling unit by adding section 25C property to it or preparing a home energy audit with respect to the dwelling unit. The dwelling unit must be owned and used by the taxpayer as the principal residence under section 25C(a)(1), owned or used by the taxpayer as the principal residence under section 25C(a)(3), or used by the taxpayer as a residence under section 25C(a)(2). Section 25C property must be installed in or on a dwelling unit under section 25C(c)(1)(A) or installed on or in connection with a dwelling unit under section 25C(d)(1)(A). Section 25C property must be originally placed in service under section 25C(d)(1)(B) or originally used by the taxpayer under section 25C(c)(1)(B). The language used in these provisions to refer to the dwelling unit supports the Treasury Department and the IRS's view that the best reading of section 25C is to allow a credit only for improvements to an existing dwelling unit. Section 25C property must be installed on or in (or in connection with) the taxpayer's ''residence,'' and a dwelling unit cannot be a taxpayer's residence until the taxpayer resides in it. As the final requirement for section 25C property, the taxpayer must originally place in service or originally use section 25C property; the taxpayer is the person who owns or uses the dwelling unit, which in most cases would not be the person who originally constructed the dwelling unit. This interpretation is consistent with the description of former section 25C by the Joint Committee on Taxation in Description Of Energy Tax Changes Made By Public Law 117–169, which refers to the section 25C credit being available ''for the purchase of qualified energy efficiency improvements to existing homes.'' JCX–5–23, 36 (April 17, 2023). This interpretation is also consistent with prior guidance provided by the IRS. See Notice 2013–70, 2013–47 I.R.B. 528 (''A taxpayer can claim the § 25C credit only for qualifying expenditures incurred for an existing home or for an addition or renovation to an existing home, and not for a newly constructed home''); Notice 2009–53, 2009–25 I.R.B. 1095, 1097 (''[T]he [section 25C] credit is only available for existing homes.''). Comments are requested on the proposed exclusion of expenditures made in connection with the original construction of a dwelling unit for purposes of the section 25C credit.

Proposed § 1.25C–2(f) would provide rules governing joint occupancy of a dwelling unit, tenant-stockholders in cooperative housing, and members of a condominium management association. Section 25C(f)(2)(A) generally provides that any expenditure otherwise qualifying as an expenditure under section 25C will not be treated as failing to so qualify merely because such expenditure was made with respect to two or more dwelling units. Consistent with sections 25C(f)(1) and 25D(e)(4), proposed § 1.25C–2(f)(1) would provide that, in the case of any dwelling unit that is jointly occupied and used during the calendar year as a principal residence by two or more taxpayers, the expenditures allocated to any taxpayer for the taxable year in which such calendar year ends is the amount paid or incurred by such taxpayer for section 25C property with respect to such

dwelling unit during such calendar year.

Consistent with sections 25C(f)(1) and 25D(e)(5), proposed § 1.25C–2(f)(2) would provide that in the case of a taxpayer who is an individual tenant-stockholder in a cooperative housing corporation, for purposes of the section 25C credit, such taxpayer would be treated as having paid or incurred the taxpayer's proportionate share of any amounts paid or incurred by such corporation for section 25C property. Non-individual tenant-stockholders may not claim the section 25C credit. Proposed § 1.25C–2(f)(2) looks to section 216(b)(3) to determine each tenant-stockholder's proportionate share, which generally would be the proportion which the stock of the cooperative housing corporation owned by the tenant-stockholder is of the total outstanding stock of the corporation (including any stock held by the corporation).

Consistent with sections 25C(f)(1) and 25D(e)(6), proposed § 1.25C–2(f)(3) would provide that a taxpayer who is a member of a condominium management association with respect to a condominium dwelling unit owned by the taxpayer would be treated as having paid or incurred the taxpayer's proportionate share of the condominium management association's expenditures for section 25C property. Proposed § 1.25C–2(f)(3) would provide a reasonableness standard to determine each individual's proportionate share. While section 25D uses the term ''proportionate share'' for both cooperatives and condominiums, the definition of ''proportionate share'' in section 216(b)(3) that applies to cooperative housing corporations cannot apply to condominiums because they do not have shares of stock to determine proportionate shares. Sections 25C, 25D, and 528 do not otherwise define proportionate share for condominiums.

The Treasury Department and the IRS recognize that condominiums are governed largely by boards of directors (or similar bodies) that are subject to State and local laws, and generally operate according to organizational documents. Accordingly, proposed § 1.25C–2(f)(3) would provide that an individual dwelling unit owner's proportionate share of condominium expenses is determined using any reasonable and consistent method. The proposed regulations would further require that the condominium's governing body must develop reasonable procedures to notify individuals of their allocable shares of these expenditures, and of the PINs associated with the specified property. The Treasury Department and the IRS request comments on the definition of proportionate share for condominiums.

Finally, proposed § 1.25C–2(g) would provide, consistent with sections 25C(f)(1) and 25D(e)(7), that if less than 80 percent of the use of an item of property is for nonbusiness purposes, only that portion of the expenditures with respect to such item that is properly allocable to use for nonbusiness purposes can be taken into account for purposes of calculating the section 25C credit.

III. Special Rules

Proposed § 1.25C–3 would provide a special rule regarding enabling property and the requirement that it be installed in conjunction with, and enable the installation and use of, enabled property under section 25C(d)(2)(D)(iii) and (iv). The Treasury Department and the IRS understand that there may be circumstances where enabling and enabled property cannot be installed in the same taxable year. For example, a taxpayer or third-party installer may not know of the need for an upgrade to a panelboard at the time that enabled property is installed. Alternatively, the installer may not have enabling property available when the enabled property is installed (but the enabled property is otherwise functional).

Proposed § 1.25C–3 would provide a general rule and a safe harbor. Proposed § 1.25C–3(b)(1) would provide that enabling property would be considered to have been installed in conjunction with enabled property if it was installed in the same taxable year as the enabled property was installed. Proposed § 1.25C–3(b)(2) would provide a safe harbor providing that if enabling property and enabled property are installed in consecutive taxable years, then the taxpayer may treat the enabling property and the enabled property as installed in the same taxable year (deemed taxable year), provided that the deemed taxable year is the later of the taxable year in which the enabling property or the enabled property was installed, regardless of which is installed first. The safe harbor would allow flexibility for taxpayers while adhering to the statutory requirement that enabling property enable the installation and use of, enabled property.

If a taxpayer chooses not to apply the safe harbor, and the taxpayer, for example, installs the enabled property in the first taxable year and the enabling property in the second taxable year, then the taxpayer might still be eligible for the section 25C credit with respect to the enabled property installed in the first taxable year. However, the taxpayer would not be eligible for the section 25C credit with respect to the enabling property installed in the second taxable year because it could not enable the installation and use of the enabled property under section 25C(d)(2)(D)(iv) and would not meet the general rule of proposed § 1.25C–3(b)(1).

The safe harbor would impose no burden on taxpayers because no additional reporting requirements are required for its use. However, in order to be entitled to the section 25C credit, taxpayers who rely on the safe harbor must meet all other applicable requirements of section 25C and the proposed regulations, including the requirement to provide PINs for both enabling property and enabled property, as provided in section 25C(h), Revenue Procedure 2024–31 (discussed in part IV of this Explanation of Provisions), and any other applicable guidance.

The Treasury Department and the IRS request comments on the safe harbor under proposed § 1.25C–3(b)(2).

IV. QMs and PIN Requirements

Proposed § 1.25C–4 would provide rules regarding the PIN requirements under section 25C(h) that apply to specified property placed in service after December 31, 2024. Most of the requirements pertain to QMs. Under section 25C(h)(1)(B), a taxpayer's sole obligation with respect to a PIN is to include the PIN of any item of specified property placed in service after December 31, 2024, on the taxpayer's tax return for the taxable year (Taxpayer PIN requirement).

The proposed regulations would refer manufacturers to Revenue Procedure 2024–31, for procedures on how to register and apply to become a QM and how to comply with the QM PIN requirements. The procedures of Revenue Procedure 2024–31 were derived in part from comments received in response to Notice 2024–13.

A. Manufacturer Registration

Notice 2024–13 proposed that manufacturers would need to register with the IRS to become QMs but did not describe a registration process. The Treasury Department and the IRS received no comments about the need for manufacturers to register with the IRS or the process for such registration.

1. General Rules and Registration Process

Proposed § 1.25C–4(a) would provide the general rule, pursuant to section 25C(h)(1), that no section 25C credit is allowed with respect to any item of

specified property placed in service after December 31, 2024, unless such item is produced by a QM and the taxpayer includes the PIN of such item on the return of tax for the taxable year. Proposed 1.25C–4(a) also would summarize the remaining paragraphs in the section, which would provide rules for manufacturers of specified property to meet the QM PIN requirements.

Proposed § 1.25C–4(b)(1) would provide, pursuant to section 25C(h)(3), that for a manufacturer of specified property to become a QM, the manufacturer must, in accordance with § 1.25C–4(b) and guidance published in the Internal Revenue Bulletin, register with the IRS and enter into an agreement with the IRS, certifying under penalties of perjury that the manufacturer will meet the QM PIN requirements. Revenue Procedure 2024–31 provides that this registration and agreement process is conducted through the IRS Energy Credits Online Portal.

Proposed § 1.25C–4(b)(2) would clarify that only manufacturers producing specified property at the time of registration may register with the IRS to become QMs. Allowing manufacturers that are not producing specified property at the time of registration could create confusion for taxpayers and would impose administrative burdens on the IRS.

2. Special Registration Rule for 2025

Multiple commenters to Notice 2024–13 expressed a need for additional time for manufacturers to comply with the registration and QM PIN requirements effective for property placed in service after December 31, 2024. In response to these requests, Revenue Procedure 2024–31 allows manufacturers of specified property until April 30, 2025, to submit their QM Registration Application and Agreement (as defined in the revenue procedure). Under Revenue Procedure 2024–31, any manufacturer that submits its QM Registration Application and Agreement by April 30, 2025, will be deemed to have been a QM as of December 31, 2024, provided such QM Registration Application and Agreement is validated by the IRS (as described in the revenue procedure). Accordingly, for a manufacturer that meets the requirements of the Special Registration Rule for 2025, any specified property produced by such manufacturer on or after January 1, 2025, and on or before April 30, 2025, will be deemed to have been produced by a QM.

3. Rule for Multiple Manufacturers

One commenter to Notice 2024–13 requested clarification as to which manufacturer would bear the responsibility to register with the IRS and meet the QM PIN requirements if more than one manufacturer participates in the production of the same product that is specified property, or if under a private labeling arrangement, one manufacturer labels and sells the same product of specified property that was produced by a third party. Proposed § 1.25C–4(b)(2) would provide that if there are multiple manufacturers in the chain of production of the same product of specified property, only one manufacturer may be the QM with respect to such product. Proposed § 1.25C–4(b)(2) would require that, absent an agreement otherwise, where more than one manufacturer participates in the production of the same product that is specified property, only the manufacturer whose production results in the product becoming specified property must register with the IRS to become a QM with respect to such property. Proposed § 1.25C–4(b)(2) would provide manufacturers working together to produce the same product of specified property the flexibility to negotiate which among them would bear responsibility as a QM with respect to such property. Revenue Procedure 2024–31 contains procedures corresponding to proposed § 1.25C–4(b)(2). The Treasury Department and the IRS request comments on proposed § 1.25C–4(b)(2) and how the rules should apply to products with multiple manufacturers.

4. Special Rules for Manufacturers of Enabling Property and Certain Manufacturers of Heat Pumps

Revenue Procedure 2024–31 provides certain exceptions to the QM PIN requirements with respect to enabling property and the indoor units of heat pumps. Despite those exceptions, which are discussed later in this preamble, a manufacturer of such products (even if it only produces no other type of specified property other than one or both of such products) must register using the IRS Energy Credits Online Portal and enter into an agreement with the IRS to become a QM.

5. Validation and Rejection of QM Registration Application and Agreement; Revocation and Suspension of QM Registration Status; Administrative Review

Proposed § 1.25C–4(b)(3) and (4) would provide that the IRS will validate and may reject a QM Registration Application and Agreement, taking into account a manufacturer's North American Industry Classification System (NAICS) code, and may revoke or suspend a QM's registration status for failure to comply with the QM PIN requirements. Proposed § 1.25C–4(b)(3) and (4) would provide that if the IRS rejects a QM Registration Application and Agreement, or revokes or suspends a QM's registration status, then the manufacturer will be afforded administrative review, but any such rejection, revocation, or suspension would not be reviewable by the IRS Independent Office of Appeals. Revenue Procedure 2024–31 contains procedures corresponding to proposed § 1.25C–4(b)(3) and (4).

6. Voluntary Discontinuance of QM Status

One commenter to Notice 2024–13 suggested that the guidance provide that a manufacturer registered as a QM is not required to remain a QM if it determines that compliance with the QM PIN requirements is too burdensome or otherwise unsuitable. Similarly, another commenter to Notice 2024–13 requested that the regulations permit manufacturers to register as QMs at any time of their choosing and to discontinue participation in the QM program or the assignment, labeling, or reporting of PINs at any time.

Proposed § 1.25C–4(b)(5) would allow a QM to discontinue its QM registration status by following the procedures provided in guidance published in the Internal Revenue Bulletin. Revenue Procedure 2024–31 provides procedures corresponding to proposed § 1.25C–4(b)(5), including for the date on which the QM's status is discontinued. A QM that discontinues its QM registration status will no longer be included on the list of QMs published by the IRS, and the IRS will publicize QMs that have discontinued their QM status.

B. PIN Assignment Requirement

Notice 2024–13 proposed a PIN assignment system that would have required QMs to assign to each item of specified property a 17-digit PIN consisting of four parts: (1) a unique ''QM Number'' specific to the QM, (2) a ''Product Number'' specific to the product line of specified property, (3) a number reflecting the year of manufacture, and (4) an ''Item number'' unique to each item of specified property.

1. General Rule

Several commenters generally addressed the proposed PIN assignment system from Notice 2024–13. Some commenters expressed concerns that the system would be burdensome for

manufacturers and taxpayers. These commenters asserted that it would be difficult and costly for manufacturers to assign PINs and ensure that consumers receive the PINs, because in many cases there would be one or more intermediaries, such as retailers and contractors, between manufacturers and consumers. These commenters also noted that it could be burdensome for consumers to determine a product's PIN and then retain it to include on their tax returns. According to these commenters, the PIN assignment system proposed in Notice 2024–13 would increase manufacturers' production costs, and consequently increase the cost of specified property, thereby deterring consumers from acquiring the energy efficient products that the section 25C credit aims to promote.

Some commenters asserted that the specifics of the PIN assignment system proposed in Notice 2024–13 would not be workable. Commenters asserted that it would be impractical for manufacturers to adopt this system, particularly those that already have in place longstanding and varied numbering systems for their product lines and individual items. Another commenter recommended that manufacturers of exterior windows and doors be exempt from QM PIN requirements because they produce larger quantities of such items than manufacturers of other types of specified property.

Several commenters suggested allowing manufacturers to employ existing numbering systems, such as serial numbers, NFRC numbers, or SKUs. One commenter asserted that using existing serial numbers would not lead to significant duplication. This commenter further stated that even though window and door manufacturers do not employ serial numbers, the assignment rules should still permit manufacturers of other specified property to employ existing serial numbers. Another commenter suggested that the IRS create a template application on which manufacturers could provide details about their existing serial numbering systems, so that a product's model number and serial number could together constitute its PIN.

The Treasury Department and the IRS acknowledge that the PIN assignment requirement presents certain compliance challenges for manufacturers and taxpayers. However, section 25C(h) requires unique PINs as an integral safeguard to assure that taxpayers entitled to claim the section 25C credit can do so efficiently, without concern that such claim will be rejected by the IRS for a duplicative or otherwise incorrect PIN. The unique PINs also reduce the risk to the fisc by preventing multiple claims for the section 25C credit for the same item of specified property.

In addition, the variety of existing product numbering systems warrants a uniform PIN assignment system. A manufacturer's serial numbers may be unique to individual items of property it produces, but different manufacturers use different forms of serial numbers. While manufacturers generally assign the same SKU to all items within a product line, the SKU would not be unique to each item within such line.

Proposed § 1.25C–4(c) would require a QM to assign PINs unique to each item of specified property it produces, using the PIN Assignment System described in guidance published in the Internal Revenue Bulletin. Revenue Procedure 2024–31 requires a system similar to the one described in Notice 2024–13 in that QMs must assign a 17-character PIN unique to each item of specified property. In response to commenter requests, to reduce complexity and burdens, the 17-character PIN in Revenue Procedure 2024–31 consists of three components, not the four proposed in Notice 2024–13: (1) a four-character ''QM Code'' that is specific to the QM and is assigned by the IRS once the QM's registration is validated, (2) a one-character ''Product Code'' that represents category of specified property and, if applicable, its relevant geographic climate zone, that is published by the IRS, and (3) a twelve-digit ''Item Number'' that is assigned by the QM that is unique to each item of specified property. For the Item Number, a QM may choose any twelve alphanumeric characters (including the common digits 0 to 9 and capital letters A to Z, other than I or O, but not special characters such as *, &, @, etc.), provided that the result is a unique Item Number, and provided that the Item number does not employ leading zeroes. A QM may use its own SKUs or serial numbers (or parts thereof) in the Item Number, provided that the Item Number is unique to each item of specified property. Revenue Procedure 2024–31 encourages QMs to employ nonsequential characters.

A commenter questioned why the letters I and O should not be allowed in PINs. The similarity of the letters I and O to the numbers one and zero could lead taxpayers to make mistakes when including a PIN on their tax returns or cause the IRS's processing systems to misread a PIN that a taxpayer submits, and cause the IRS to incorrectly disallow (or allow) a credit. Accordingly, Revenue Procedure 2024–31 does not allow the use of the letters I and O in PINs.

The PIN Assignment System set forth in Revenue Procedure 2024–31 ensures that each unique item of specified property will have a unique PIN, and that each PIN will employ the same format and the same number of characters. This uniformity is necessary for the IRS to process taxpayer claims for the section 25C credit efficiently.

While the Treasury Department and the IRS appreciate the concerns raised by the commenters, exterior windows and exterior doors cannot be exempted from the QM PIN requirements because section 25C expressly requires PINs to be assigned to exterior windows and exterior doors. However, the PIN Assignment System allows for a variety of digits in the Item Number such that a large volume of specified property can be accommodated.

One commenter asserted that it would be overly burdensome for manufacturers to assign PINs to products that manufacturers intend to export. The Treasury Department and the IRS agree that PINs only need to be assigned to products placed in service in the United States, because the definition of specified property itself includes requirements that can only be met in the United States, and because the section 25C credit is only allowed with respect to dwelling units located in the United States. The definitions of the products that comprise specified property (qualified energy property and exterior windows and exterior doors) each include requirements that can only be met in the United States. Qualified energy property under section 25C(d)(2)(A) must meet or exceed the highest efficiency tier established by the Consortium for Energy Efficiency, the requirements for which are based in part on United States climate zones. Qualified energy property under section 25C(d)(2)(B) must heat a dwelling unit located in the United States. Qualified energy property under section 25C(d)(2)(C) must be rated for use with fuel blends including eligible fuel under section 25C(d)(3), which under section 40 is limited to fuel produced and used in the United States and under section 40A excludes, in part, fuel produced outside the United States for use outside the United States. Qualified energy property under section 25C(d)(2)(D) comprises qualified energy efficiency improvements (which must be installed in the United States under section 25C(c)(1)(A)) and qualified energy property under section 25C(d)(2)(A) through (C), described in this paragraph, and must enable the installation and use

of property installed in the United States under section 25C(d)(2)(d)(iv). Finally, exterior windows (including skylights) and exterior doors, as qualified energy efficiency improvements, must be installed in the United States under section 25C(c)(1)(A). Exterior windows and skylights also must meet Energy Star most efficient certification requirements under section 25C(c)(2)(A), and exterior doors must meet applicable Energy Star requirements under section 25C(c)(2)(B), each of which is based in part on United States climate zones. Accordingly, the definition of specified property in proposed § 1.25C–2(b)(25) would provide that any property placed in service outside of the United States is not specified property.

Revenue Procedure 2024–31 also contains procedures regarding the time for assigning PINs to specified property. For property produced on or after January 1, 2026, the QM must assign a 17-digit PIN to the specific property while it is in the QM's possession. This timing rule will assist QMs in meeting the requirement to timely provide the PIN to the taxpayer. For items of specified property produced before January 1, 2026, the QM may, but is not required to, assign a 17-digit PIN to specified property after the property has left the QM's possession, provided that the rules regarding the time to provide the PIN are satisfied (see the discussion later).

2. Transition Relief for Specified Property Placed in Service During the 2025 Calendar Year

Commenters to Notice 2024–13 expressed concern that manufacturers (as well as distributors, contractors, and consumers) could not implement the proposed PIN assignment system before the PIN requirements take effect on January 1, 2025. They requested that the IRS adopt a transition rule that would delay or relax the PIN assignment requirement for at least the 2025 calendar year.

The Treasury Department and the IRS agree that transition relief is appropriate. Accordingly, for all specified property placed in service in the 2025 calendar year, Revenue Procedure 2024–31 provides that a QM can satisfy the PIN assignment requirement by furnishing its four-character ''QM Code'' to consumers, who can satisfy the Taxpayer PIN requirement by including the QM Code on their tax returns. Thus, for specified property placed in service during calendar year 2025, taxpayers may claim the section 25C credit based on the QM Code in lieu of the PIN for such specified property. This transition relief affords QMs an additional year to implement the full PIN Assignment System.

3. Special Rules for Enabling Property and Certain Heat Pumps

Two commenters to Notice 2024–13 asserted that the PIN assignment requirement would present unique challenges and burdens to manufacturers of enabling property described in section 25C(d)(2)(D), such as panelboards. These commenters noted that enabling property is eligible for the section 25C credit only if it is installed ''in conjunction with'' property that is itself eligible for the credit (enabled property, discussed previously). The commenters maintained that because, in most cases, taxpayers do not install the enabling property in conjunction with enabled property, it would saddle manufacturers of enabling properties with a disproportionate cost and burden to assign a PIN to each item of enabling property, without knowing if this was necessary. The commenters noted that because enabling property often costs significantly less than enabled property, full compliance with the QM PIN requirements would have a higher cost per item relative to other categories of specified property. Commenters also noted similar issues for manufacturers of heat pumps, which generally have two units—an indoor and an outdoor unit—with little likelihood one such unit could qualify for the section 25C credit without the other unit being installed.

The Treasury Department and the IRS agree that relief is appropriate to address these two concerns. Accordingly, Revenue Procedure 2024–31 addresses these issues. Regarding enabling property, section 4.01(5) of Revenue Procedure 2024–31 provides that a QM can satisfy the PIN assignment requirement with its QM Code in lieu of its PIN, instead of meeting the 17-digit PIN requirements, regardless of when the enabling property is placed in service. For taxpayers claiming the section 25C credit with respect to enabling property, the IRS will accept the QM Code in lieu of the PIN for the enabling property. QMs that produce enabling property must meet all other QM PIN requirements, including using the 17-digit PIN for enabled property placed in service on or after January 1, 2026.

Regarding heat pumps, section 5.05 of Revenue Procedure 2024–31 provides that only the outdoor unit of a heat pump must be assigned a PIN. A QM that produces heat pumps must meet all other applicable QM PIN requirements. For example, if a manufacture only produces indoor units of a heat pump, it must still register as a QM.

4. Additional Comments to Notice 2024–13

Some commenters suggested that a trade association of manufacturers of certain categories of specified property could create a product directory of specified properties that its members produce. They further suggested that the trade association could carry out all of the QM PIN requirements (assignment, labeling and reporting) on behalf of its members. Nothing in Revenue Procedure 2024–31 prohibits, and nothing in the proposed regulations would prohibit, a trade association from doing so. However, each manufacturer member must register to be a QM, and the PINs must follow all of the requirements provided in Revenue Procedure 2024–31.

One commenter asked how manufacturers should assign PINs to products made up of a combination of product lines. The PIN Assignment System described in Revenue Procedure 2024–31 does not require QMs to reference a product's product line in its PIN. The Product Code character in the PIN Assignment System represents the category of specified property. The Product Code is assigned by the QM in accordance with a list of Product Codes on *https://www.irs.gov*, on the IRS Energy Credits Online Portal, or in future published guidance. A QM has discretion to reference one product line, multiple product lines, or no product lines in the Item Number of a PIN with respect to a product that combines more than one product line.

Another commenter suggested that the proposed regulations allow manufacturers to use the proposed PIN system for products that do not qualify for the section 25C credit. According to this commenter, such a rule could allow manufacturers to obtain more value from the PIN system, which could potentially mitigate their compliance costs arising from the QM PIN requirements. Nothing in these proposed regulations or Revenue Procedure 2024–31 prohibits a manufacturer from assigning PINs using the requirements described in Revenue Procedure 2024–31 to products that do not qualify for the section 25C credit, particularly because QMs have flexibility in assigning Item Numbers. However, QMs should only report to the IRS the PINs for those products that are eligible for the section 25C credit. QMs may not advise or otherwise suggest to consumers that the PINs for products

that do not meet the requirements under section 25C render those products eligible for the section 25C credit.

One commenter suggested that manufacturers should have the option of using a PIN that is longer than 17 characters to accommodate production runs that may exceed this limit. The Treasury Department and the IRS have considered the number of possible QMs and the number of possible products that are specified property. The system must be developed to last for many years. Based on available information, the 17 digits in the PIN Assignment System should suffice.

C. PIN Labeling Requirement; Time To Make the PIN Available

Commenters to Notice 2024–13 asked that manufacturers be given flexibility in complying with the PIN labeling requirement. Several commenters requested that guidance not require QMs to affix PINs physically to items of specified property, as this would involve significant costs. Another commenter suggested that guidance require QMs to ensure that taxpayers can easily locate and report a product's PIN. This commenter specifically suggested requiring manufacturers to clearly label the PIN as the ''Section 25C Energy Efficient Home Improvement Tax Credit PIN.''

One commenter noted that many biomass appliances already have EPA labeling requirements and that it could be difficult to add a PIN to such labels. Another commenter pointed out that manufacturers may already have produced specified property that will be placed in service in 2025, and that it may be too late to affix PINs to these products. Finally, a commenter suggested allowing QMs to furnish PINs through their websites.

Having considered these comments, the Treasury Department and the IRS propose to allow QMs maximum flexibility in meeting the PIN labeling requirement and providing PINs to consumers to ensure that taxpayers have the information needed to claim the section 25C credit. Proposed § 1.25C–4(d) would direct manufacturers to guidance published in the Internal Revenue Bulletin. Revenue Procedure 2024–31 provides that manufacturers generally may choose the method by which to label products. QMs would not be required to affix PINs physically to items of specified property, provided that QMs make such PINs available to taxpayers within the required time frame. Revenue Procedure 2024–31 allows QMs to meet the PIN labeling requirement in various ways, such as by including PINs on documents inside a product's packaging, or furnishing PINs to consumers through QM websites. In accordance with the special requirement for enabling property, Revenue Procedure 2024–31 provides that a QM can meet the PIN labeling requirement for enabling property by providing its QM Code to consumers. In accordance with the special requirement for heat pumps, Revenue Procedure 2024–31 provides that QMs are not required to label the indoor unit of a heat pump.

Revenue Procedure 2024–31 also provides flexible procedures regarding when a QM must make PINs available to consumers. For specified property placed in service on or after January 1, 2025, and before January 1, 2026, in order to comply with the PIN labeling requirement, a QM must provide its QM Code to taxpayers who purchase items of specified property by no later than the date—(i) when the taxpayer places the specified property in service, (ii) when the taxpayer requests a PIN from the QM, or (iii) when the manufacturer becomes a QM, whichever is latest. This is in accord with the requirements for registration and PIN assignment for specified property placed in service in calendar year 2025. For specified property placed in service on or after January 1, 2026, in order to comply with the PIN labeling requirement, a QM must make its PINs available to taxpayer no later than the date when the taxpayer either places the specified property in service, or requests a PIN from the QM, whichever is later. For any specified property produced in calendar year 2025 and placed in service on or after January 1, 2026, and to which only a QM Code has been assigned, the QM must make the full 17-digit PIN available to the taxpayer upon request by the taxpayer. Revenue Procedure 2024–31 also provides that a QM may not establish prerequisites to a taxpayer obtaining a PIN unless such prerequisite is required to verify the taxpayer's purchase of the specified property. For example, a QM cannot require taxpayers to sign up for promotional emails as a condition of obtaining a PIN for specified property they purchase. These PIN delivery rules provide flexibility for QMs to determine which method of delivery works best for their business while ensuring that taxpayers have access to PINs when needed.

D. Periodic Written Report Requirement

Section 25C(h)(3)(C) provides the Secretary with authority to require QMs to provide periodic reporting of PINs assigned to specified property and other information that the Secretary may require with respect to such property.

1. QM Reports

Proposed § 1.25C–4(e) would direct QMs to guidance published in the Internal Revenue Bulletin regarding the format and timing of the periodic written report. Revenue Procedure 2024–31 provides that to meet the periodic written report requirement, a QM must submit periodic reports (QM Reports) electronically, using a template on the IRS Energy Credits Online Portal. Each QM Report must be signed under penalties of perjury, and include general information such as the QM's name and address, and information about each item of specified property for which a PIN was assigned, including such items month and year of manufacture.

For purposes of a QM Report, Revenue Procedure 2024–31 defines the year of manufacture as the year in which the property becomes specified property for purposes of the section 25C credit. This definition is intended for the convenience of QMs and to assist in determining whether certain energy efficiency standards imposed by section 25C have been met. This definition also comports with the rule for multiple manufacturers under proposed § 1.25C–4(b)(2). Nothing in Revenue Procedure 2024–31 regarding the year of manufacture applies to Code sections other than section 25C. The Treasury Department and the IRS request comments on the definition of year of manufacture in Revenue Procedure 2024–31.

In accordance with the transition relief provided for calendar year 2025, Revenue Procedure 2024–31 provides that for specified property placed in service on or after January 1, 2025, and before January 1, 2026, a QM Report need only include the QM Code provided to taxpayers, instead of the full 17-digit PIN.

In accordance with the special rules for manufacturers of enabling property and certain manufacturers of heat pumps, Revenue Procedure 2024–31 provides that QMs are not required to file QM Reports with respect to enabling property or indoor units of heat pumps.

2. Time To File QM Reports

Notice 2024–13 did not propose a rule for the required frequency of QM Reports. A commenter to Notice 2024–13 suggested that guidance require QMs to file QM Reports annually. The Treasury Department and the IRS recognize that the regular submission of QM Reports could pose a potential burden to some QMs, particularly for specified property placed in service on or after January 1, 2025, and before January 1, 2026. However, the Treasury

Department and the IRS have determined that annual QM Reports would not be frequent enough to give the IRS time to address errors and to effectively administer the section 25C credit.

Therefore, Revenue Procedure 2024–31 provides transition relief and requires that for items of specified property that leave a QM's control and enter the stream of commerce on or after January 1, 2025, and before January 1, 2026, only one QM Report is required, and it must be submitted by January 15, 2026. For specified property placed in service on or after January 1, 2026, Revenue Procedure 2024–31 requires a QM to file QM Reports on a quarterly basis, specifically by the fifteenth day of the calendar month following the end of the calendar quarter in which an item of specified property leaves the QM's control and enters the stream of commerce (January 15, April 15, July 15, and October 15). A QM may choose to submit QM Reports more frequently than once per quarter.

Revenue Procedure 2024–31 also provides procedures for updating or rescinding QM Reports, which must be done through the IRS Energy Credits Online Portal as soon as possible after the original submission.

E. Lessees of a Dwelling Unit

A lessee may not claim the section 25C credit for qualified energy efficiency improvements, as a lessee uses but does not own a dwelling unit. A lessee of a dwelling unit may claim the section 25C credit for residential energy property expenditures, provided that the dwelling unit is used as a residence by the lessee. A lessee may claim the section 25C credit for a home energy audit, provided that the dwelling unit is used by the lessee as the lessee's principal residence.

F. Additional Comments Received

Two commenters to Notice 2024–13 suggested that a public database of specified products and their PINs would present privacy concerns. One commenter also suggested that the IRS treat manufacturer data and PIN information as confidential business information. The Treasury Department and the IRS understand these concerns, but want to ensure that consumers have some information as they search for products that are specified property. A QM Code assigned to a manufacturer by the IRS does not constitute confidential business information and its publication should not pose any inherent risk to QMs. Nonetheless, the IRS will publish a list of QMs, which will provide consumers with helpful information in determining which QMs offer products that are specified property, but to ensure privacy for QMs, the IRS will not publish any QM Codes.

One commenter suggested that the IRS create an online directory of products eligible for the credit. The IRS declines to adopt this proposal because the statute already provides guidelines for products that qualify for the credit. However, the IRS will publish a list of Product Codes that sets forth each category of specified property. Some commenters asked whether reporting rules would change due to section 25C having been amended. Form 5695, *Residential Energy Credits,* is being revised to allow reporting of PINs. When available, the revised draft form will be available for comment on *https://www.irs.gov/draftforms.*

Proposed Applicability Dates

These regulations are proposed to apply to taxable years ending after [DATE OF PUBLICATION OF FINAL REGULATIONS IN THE **FEDERAL REGISTER**].

Taxpayers may rely on the proposed regulations for specified property placed in service prior to the date these regulations are published as final regulations in the **Federal Register,** provided the taxpayer follows the proposed regulations in their entirety, and in a consistent manner.

Statement of Availability for IRS Documents

For copies of recently issued Revenue Procedures, Revenue Rulings, Notices, and other guidance published in the Internal Revenue Bulletin, please visit the IRS website at *https://www.irs.gov.*

Special Analyses

I. Regulatory Planning and Review—Economic Analysis

Pursuant to the Memorandum of Agreement, Review of Treasury Regulations under Executive Order 12866 (June 9, 2023), tax regulatory actions issued by the IRS are not subject to the requirements of section 6 of Executive Order 12866, as amended. Therefore, a regulatory impact assessment is not required.

II. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) (PRA) requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. A Federal agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

The collections of information in the proposed regulations contain reporting, third-party disclosure and recordkeeping requirements that are necessary to ensure that specified property meets the requirements for the energy efficient home improvement credit under section 25C. These collections of information generally would be used by the IRS for tax compliance purposes and by taxpayers to ensure the property qualifies for the credit.

The reporting requirements include that manufacturers register with the IRS to become QMs (as detailed proposed § 1.25C–4(b)) and provide IRS with periodic reports (as detailed in proposed § 1.25C–4(e)). Additionally, in the event a manufacturer is disqualified, the manufacturer will have the opportunity to appeal the IRS determination by requesting an administrative review. The third-party disclosure requirement includes the requirement that manufacturers provide taxpayers with a PIN number that identifies the specified property as qualified under section 25C (as detailed in proposed § 1.25C–4(d)). The likely respondents are businesses and other for-profit entities. The burden for these requirements is as follows:

Registration:

Estimated number of respondents: 2,100.

Estimated frequency of responses: 1.

Estimated average annual burden per response: 2 hours.

Estimated total annual reporting burden: 4,200 hours.

Periodic Reporting:

Estimated number of respondents: 2,100.

Estimated frequency of responses: 1.

Estimated average annual burden per response: 15 minutes (0.25 hours).

Estimated total annual reporting burden: 525 hours.

PIN Labeling:

Estimated number of respondents: 2,100.

Estimated frequency of responses: varies*.

* *The IRS anticipates that 1 manufacturer may have multiple products that qualify and will be labeled. For calculation purposes, the IRS is estimating that 1 manufacturer could have 2,000 products that qualify.*

Estimated average annual burden per response: 15 minutes (0.25 hours).

Estimated total annual reporting burden: 1,050,000 hours.

Appeals:

Estimated number of respondents: 21.

Estimated frequency of responses: 1.

Estimated average annual burden per response: 1 hour.

Estimated total annual reporting burden: 21 hours.

The collections of information contained in this notice of proposed rulemaking have been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act under OMB Control Number 1545–NEW. Commenters are strongly encouraged to submit public comments electronically. Written comments and recommendations for the proposed information collection should be sent to *https://www.reginfo.gov/public/do/PRAMain,* with copies to the IRS. Find this particular information collection by selecting ''Currently under Review—Open for Public Comments,'' and then by using the search function. Submit electronic submissions for the proposed information collection to the IRS via email at *pra.comments@irs.gov* (indicate REG–118264–23 on the Subject line). Comments on the collection of information must be received by December 24, 2024. Comments are specifically requested concerning: whether the proposed collection of information is necessary for the proper performance of the functions of the IRS, including whether the information will have practical utility; the accuracy of the estimated burden associated with the proposed collection of information; how the quality, utility, and clarity of the information to be collected may be enhanced; how the burden of complying with the proposed collection of information may be minimized, including through the application of automated collection techniques or other forms of information technology; and estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

III. Regulatory Flexibility Act

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6) (RFA), the Secretary hereby certifies that the proposed regulations will not have a significant economic impact on a substantial number of small entities within the meaning of section 601(6) of the RFA. Pursuant to section 7805(f), this notice of proposed rulemaking has been submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on their impact on small business.

The proposed regulations would affect QMs of specified property and eligible taxpayers who place such property in service during a taxable year. The Treasury Department and the IRS estimate the number of QMs to be 2,100. Data are not readily available on the number of small entities among the QMs, but it is likely that a substantial number may be affected. Although a substantial number of small entities may be affected, the economic impact of the rule is not expected to be significant. Any burden imposed in the proposed regulations on a manufacturer that wants to register as a QM, and any subsequent burden of assigning a PIN, labeling the specified property, and making periodic written reports to the IRS, would be voluntarily assumed by such QM, as manufacturers of specified property are not required to register as QMs under section 25C. Section 25C provides an indirect financial benefit to manufacturers who choose to register as QMs in the form of credits available to eligible taxpayers that subsidize the purchase of specified property manufactured by the QMs. The different credit amounts allowed under section 25C for different types of specified property allow manufacturers considering whether to register as QMs to make an informed decision regarding the potential financial benefit in doing so. The proposed regulations also provide flexibility for QMs in meeting the previously described burdens. Accordingly, the Secretary certifies that the proposed regulations will not have a significant economic impact on a substantial number of small entities. The Treasury Department and the IRS request comments that provide data, other evidence, or models that provide insight on this issue.

IV. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of $100 million in 1995 dollars, updated annually for inflation. In 2023, that threshold is approximately $198 million. This rule does not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector in excess of that threshold.

V. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency (to the extent practicable and permitted by law) from promulgating any regulation that has federalism implications, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order, if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State law. This proposed rule does not have federalism implications and does not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive Order.

Comments and Requests for a Public Hearing

Before the proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department and the IRS request comments on all aspects of the proposed regulations, including their economic impact and any alternative approaches that should be considered during the rulemaking process. In addition, the Treasury Department and the IRS request comments on the specific issues noted in the preamble to the proposed regulations. Any comments submitted, whether electronically or on paper, will be made available at *https://www.regulations.gov* or upon request.

A public hearing has been scheduled for January 21, 2025, beginning at 10 a.m. ET, in the Auditorium at the Internal Revenue Building, 1111 Constitution Avenue NW, Washington, DC. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 30 minutes before the hearing starts. Participants may alternatively attend the public hearing by telephone.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who want to present oral comments at the hearing must submit an outline of the topics to be discussed and the time to be devoted to each topic by December 24, 2024. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing. If no outlines of topics to be discussed at the hearing are received by December 24, 2024, the public hearing will be cancelled. If the public hearing is cancelled, a notice of cancellation of the

public hearing will be published in the **Federal Register**.

Individuals who want to testify in person at the public hearing must send an email to *publichearings@irs.gov* to have your name added to the building access list. The subject line of the email must contain the regulation number REG–118264–23 and the language TESTIFY in Person. For example, the subject line may say: Request to TESTIFY in Person at Hearing for REG–118264–23.

Individuals who want to testify by telephone at the public hearing must send an email to *publichearings@irs.gov* to receive the telephone number and access code for the hearing. The subject line of the email must contain the regulation number REG–118264–23 and the language TESTIFY Telephonically. For example, the subject line may say: Request to TESTIFY Telephonically at Hearing for REG–118264–23.

Individuals who want to attend the public hearing in person without testifying must also send an email to *publichearings@irs.gov* to have your name added to the building access list. The subject line of the email must contain the regulation number REG–118264–23 and the language ATTEND In Person. For example, the subject line may say: Request to ATTEND Hearing in Person for REG–118264–23. Requests to attend the public hearing must be received by 5 p.m. ET on January 17, 2025.

Individuals who want to attend the public hearing by telephone without testifying must also send an email to *publichearings@irs.gov* to receive the telephone number and access code for the hearing. The subject line of the email must contain the regulation number REG–118264–23 and the language ATTEND Hearing Telephonically. For example, the subject line may say: Request to ATTEND Hearing Telephonically for REG–118264–23. Requests to attend the public hearing must be received by 5 p.m. ET on January 17, 2025.

Hearings will be made accessible to people with disabilities. To request special assistance during a hearing please contact the Publications and Regulations Branch of the Office of Associate Chief Counsel (Procedure and Administration) by sending an email to *publichearings@irs.gov* (preferred) or by telephone at (202) 317–6901 (not a toll-free number) by at least January 16, 2025.

Drafting Information

The principal author of the proposed regulations is the Office of Associate Chief Counsel (Passthroughs & Special Industries). However, other personnel from the Treasury Department and the IRS participated in the development of the proposed regulations.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, the Treasury Department and the IRS propose to amend 26 CFR part 1 as follows:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 is amended by adding entries in numerical order for §§ 1.25C–1 through 1.25C–4 to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

* * * * *

Section 1.25C–1 also issued under 26 U.S.C. 25C(b)(6)(B) and (h)(3).

Section 1.25C–2 also issued under 26 U.S.C. 25C(b)(6)(B), (f)(1), and (h)(3).

Section 1.25C–3 also issued under 26 U.S.C. 25C(h)(3).

Section 1.25C–4 also issued under 26 U.S.C. 25C(h)(3).

* * * * *

■ **Par. 2.** Sections 1.25C–0 through 1.25C–4 are added to read as follows:

Sec.

* * * * *

§ 1.25C–0 Table of contents.

This section lists the major captions contained in §§ 1.25C–1 through 1.25C–4.

(f) Applicability date.

§ 1.25C–1 Credit for energy efficient home improvements.

(a) *In general.* With respect to property placed in service after December 31, 2022, and subject to the requirements and limitations set forth in section 25C of the Internal Revenue Code (Code) as implemented by the section 25C regulations (as defined in paragraph (b)(24) of this section), section 25C of the Code allows as a credit against the tax imposed by chapter 1 of the Code for the taxable year 30 percent of certain amounts paid or incurred by an individual taxpayer (taxpayer) during such taxable year for qualified energy efficiency improvements (as defined in paragraph (b)(16) of this section) installed during such taxable year, residential energy property expenditures (as defined in paragraph (b)(20) of this section) (together, section 25C property), and home energy audits (as defined in paragraph (b)(10) of this section). Paragraph (b) of this section provides definitions that apply for purposes of the section 25C credit and the section 25C regulations. Section 1.25C–2 provides general rules and limitations regarding the section 25C credit. Section 1.25C–3 provides special rules regarding the section 25C credit. Section 1.25C–4 provides rules regarding the qualified product identification number (PIN) requirements under section 25C(h) for specified property placed in service after December 31, 2024, and other requirements that manufacturers must satisfy in order for their products to become eligible for the section 25C credit.

(b) *Definitions.* The definitions in this paragraph (b) solely apply for purposes of section 25C of the Code and the section 25C regulations.

(1) *Building envelope component.* The term *building envelope component* means:

(i) Any insulation material or system, including air sealing material or system that is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on such dwelling unit;

(ii) Exterior windows, including skylights; and

(iii) Exterior doors.

(2) *Code.* The term *Code* means the Internal Revenue Code.

(3) *Consortium for Energy Efficiency (CEE).* The term *Consortium for Energy Efficiency* or *CEE* refers to the nonprofit consortium, consisting primarily of utility efficiency program administrators across the United States and Canada, that determines energy performance specification Tiers for HVAC and water heating equipment, including the geographic region where each specification is applicable.

(4) *Dwelling unit.* The term *dwelling unit* includes:

(i) A house, apartment, condominium unit owned by a taxpayer who is a member of a condominium management association with respect to such unit, mobile home, houseboat, or similar property used to provide living accommodations in a building or structure, but not structures or other property appurtenant to such dwelling unit and not that portion of a unit that is used on a transient basis or exclusively as a hotel, motel, inn, or similar establishment,

(ii) A manufactured home that conforms to the Federal Manufactured Home Construction and Safety Standards (24 CFR part 3280), and

(iii) Any property designated as a dwelling unit in guidance.

(5) *Enabled property.* The term *enabled property* means:

(i) Qualified energy efficiency improvements described in section 25C(c)(1) through (4), or

(ii) Qualified energy property described in section 25C(d)(2)(A) through (C) for which a section 25C credit is allowed for expenditures with respect to such property, and

(iii) For which an enabling property (as defined in paragraph (b)(6) of this section) enables the installation and use.

(6) *Enabling property.* The term *enabling property* means property described in section 25C(d)(2)(D) that is any improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits, or feeders that:

(i) Is installed in a manner consistent with the National Electric Code,

(ii) Has a load capacity of not less than 200 amps,

(iii) Is installed in conjunction with any qualified energy efficiency improvements described in section 25C(c)(1) through (4), or any qualified energy property described in section 25C(d)(2)(A) through (C) for which a section 25C credit is allowed for expenditures with respect to such property, and

(iv) Enables the installation and use of any enabled property, as defined in paragraph (b)(5) of this section.

(7) *Energy efficient building envelope component.* The term *energy efficient building envelope component* means a building envelope component, as defined in section 25C(c)(3), that meets:

(i) In the case of an exterior window or skylight, Energy Star certified most efficient certification requirements;

(ii) In the case of an exterior door, applicable Energy Star certified requirements; and

(iii) In the case of any other building envelope component, the prescriptive criteria for such component established by the most recent International Energy Conservation Code standard in effect as of the beginning of the calendar year (as determined by the U.S. Secretary of Energy) that is 2 years prior to the calendar year in which such component is placed in service.

(8) *Energy Star.* The term *Energy Star* refers to the voluntary labeling and rating program administered by the U.S. Environmental Protection Agency that determines the applicable climate zones for exterior windows, skylights, and doors.

(9) *Guidance.* The term *guidance* means guidance published in the Internal Revenue Bulletin. *See* § 601.601 of this chapter.

(10) *Home energy audit.* The term *home energy audit* means an inspection and written report with respect to a dwelling unit located in the United States and owned or used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121 of the Code) that:

(i) Identifies the most significant and cost-effective energy efficiency improvements with respect to such dwelling unit, including an estimate of the energy and cost savings with respect to each such improvement, and

(ii) Is conducted and prepared by a home energy auditor that meets the certification or other requirements specified in the section 25C regulations or guidance.

(11) *International Energy Conservation Code standard.* The term *International Energy Conservation Code standard* refers to the model building codes developed by the International Code Council that sets minimum conservation requirements for new buildings in the United States.

(12) *IRS.* The term *IRS* means the Internal Revenue Service.

(13) *Originally placed in service; Original use.* The term *originally placed in service* refers to the first time the property is placed in service, whether or not by the taxpayer. The term *original use* refers to the first use to which the property is put or will be put, whether or not that use corresponds or will correspond to the use of the property by the taxpayer.

(14) *Paid or incurred.* The term *paid or incurred* has the same meaning as provided in section 7701(a)(25) of the Code.

(15) *Placed in service.* The term *placed in service* refers to the date on

which property that is eligible for the section 25C credit is placed in a condition or state of readiness and availability for its specifically assigned function.

(16) *Qualified energy efficiency improvements.* The term *qualified energy efficiency improvements* means any energy efficient building envelope component, if:

(i) Such component is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121);

(ii) The original use of such component commences with the taxpayer; and

(iii) Such component reasonably can be expected to remain in use for at least 5 years.

(17) *Qualified energy property.* The term *qualified energy property* means any of the following:

(i) Any of the following that meet or exceed the highest efficiency tier (not including any advanced tier) established by the Consortium for Energy Efficiency (CEE) that is in effect as of the beginning of the calendar year in which the property is placed in service:

(A) An electric or natural gas heat pump water heater;

(B) An electric or natural gas heat pump;

(C) A central air conditioner;

(D) A natural gas, propane, or oil water heater;

(E) A natural gas, propane, or oil furnace or hot water boiler;

(ii) A biomass stove or boiler that:

(A) Uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and

(B) Has a thermal efficiency rating of at least 75 percent (measured by the higher heating value of the fuel, as determined by the U.S. Environmental Protection Agency for wood stoves).

(iii) Any oil furnace or hot water boiler that is placed in service after December 31, 2022, and before January 1, 2027, and:

(A) Meets or exceeds 2021 Energy Star certified efficiency criteria, and

(B) Is rated by the manufacturer for use with fuel blends at least 20 percent of the volume of which consists of an eligible fuel, as defined in section 25C(d)(3).

(iv) Any oil furnace or hot water boiler that is placed in service after December 31, 2026, and:

(A) Achieves an annual fuel utilization efficiency rate of not less than 90, and

(B) Is rated by the manufacturer for use with fuel blends at least 50 percent of the volume of which consists of an eligible fuel, as defined in section 25C(d)(3).

(v) Any enabling property.

(18) *Qualified manufacturer.* The term *qualified manufacturer* means any manufacturer of specified property that has entered into an agreement with the IRS as described in section 25C(h)(3) and § 1.25C–4.

(19) *Qualified product identification number (PIN).* The term *qualified product identification number* or *PIN* means, with respect to any item of specified property, the product identification number assigned to such item by the qualified manufacturer pursuant to the methodology referred to in section 25C(h)(3) and described in § 1.25C–4.

(20) *Residential energy property expenditures.* The term *residential energy property expenditures* means expenditures, including expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property, made by the taxpayer for qualified energy property that is:

(i) Installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer; and

(ii) Originally placed in service by the taxpayer.

(21) *Secretary.* The term *Secretary* means the Secretary of the Treasury or her delegate.

(22) *Section 25C credit.* The term *section 25C credit* means the credit allowable to a taxpayer for the taxable year under section 25C(a) and the section 25C regulations.

(23) *Section 25C property.* The term *section 25C property* means qualified energy efficiency improvements as defined under section 25C(c) and residential energy property expenditures as defined under section 25C(d).

(24) *Section 25C regulations.* The term *section 25C regulations* means §§ 1.25C–1 through 1.25C–4.

(25) *Specified property.* The term *specified property* means qualified energy property described in section 25C(d)(2) and paragraph (b)(17) of this section, and exterior windows (including skylights) and exterior doors described in section 25C(c)(3)(B) and (C). Any property placed in service outside of the United States is not specified property.

(c) *Applicability date.* This section applies to taxable years ending after [DATE OF PUBLICATION OF FINAL REGULATIONS IN THE **FEDERAL REGISTER**].

§ 1.25C–2 General rules.

(a) *General rule.* Subject to the limitations in paragraph (b) of this section, the rules in paragraphs (d) through (h) of this section, and the rules in §§ 1.25C–3 and 1.25C–4, with respect to property placed in service after December 31, 2022, the section 25C credit for the taxable year is an amount equal to 30 percent of the sum of:

(1) The amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year;

(2) The amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year; and

(3) The amount paid or incurred by the taxpayer during such taxable year for home energy audits.

(b) *Limitations*—(1) *General limitation.* Except as provided in paragraph (b)(2)(ii) of this section, the section 25C credit allowed with respect to any taxpayer for any taxable year is limited to $1,200.

(2) *Limitation for qualified energy property*—(i) *In general.* Except as provided in paragraph (b)(2)(ii) of this section and in addition to the other limitations provided in this paragraph (b), the credit allowed under section 25C(a)(2) is limited to $600 with respect to any taxpayer for any taxable year with respect to any item of qualified energy property.

(ii) *Limitation for heat pump water heaters, heat pumps, biomass stoves, and biomass boilers.* Notwithstanding the general limitation described in paragraph (b)(1) of this section and the limitation for qualified energy property in paragraph (b)(2)(i) of this section, the credit allowed under section 25C(a)(2) with respect to any taxpayer for any taxable year is limited to $2,000 in the aggregate with respect to amounts paid or incurred for the following property:

(A) An electric or natural gas heat pump water heater described in section 25C(d)(2)(A)(i);

(B) An electric or natural gas heat pump described in section 25C(d)(2)(A)(ii); and

(C) A biomass stove or boiler described in section 25C(d)(2)(B).

(3) *Limitation for exterior windows and skylights.* In addition to the general limitation in paragraph (b)(1) of this section and the other limitations provided in this paragraph (b), the credit allowed under section 25C(a)(1) with respect to any taxpayer for any taxable year is limited to $600 in the

aggregate with respect to all exterior windows and skylights.

(4) *Limitation for exterior doors.* In addition to the general limitation in paragraph (b)(1) of this section and the other limitations provided in this paragraph (b), the credit allowed under section 25C(a)(1) with respect to any taxpayer for any taxable year is limited to $250 in the case of any exterior door and $500 in the aggregate with respect to all exterior doors.

(5) *Limitation for home energy audits.* In addition to the general limitation in paragraph (b)(1) of this section and the other limitations provided in this paragraph (b), the credit allowed under section 25C(a)(3) for a home energy audit is limited to $150.

(c) *Examples.* The following examples demonstrate the rules of paragraphs (a) and (b) of this section.

(1) *Example 1.* In taxable year 2024, Taxpayer A paid $600 for a home energy audit of A's principal residence and purchased three exterior windows at a cost of $800 per window. Before applying the limitations of this section, the credit amount under section 25C(a)(3) for the home energy audit would be $180 ($600 × 0.3), and the credit amount under section 25C(a)(1) for the three exterior windows would be $720 ($800 × 3 × 0.3). The $180 amount is limited to $150 under paragraph (b)(5) of this section. The $720 amount is limited to $600 in the aggregate with respect to all exterior windows under paragraph (b)(3) of this section. Therefore, the total section 25C credit allowable to A, assuming A meets all applicable requirements of section 25C, is limited to $750 ($150 for the home energy audit + $600 for the three exterior windows) for taxable year 2024.

(2) *Example 2.* In taxable year 2024, Taxpayer B paid $800 and $900, respectively, for two exterior doors, and $2,500 for a natural gas hot water boiler. Before applying the limitations of this section, the credit amount under section 25C(a)(1) for the two exterior doors would be $510 (($800 + $900) × 0.3), and the credit amount under section 25C(a)(2) for the natural gas hot water boiler would be $750 ($2,500 × 0.3). The $510 amount is limited to $490 ($240 + $250) under paragraph (b)(4) of this section, allows $240 for the $800 door ($800 × 0.3) but limits the amount for the $900 door ($900 × 0.3 = $270) to $250. The $750 amount is limited to $600 for an item of qualified energy property under paragraph (b)(2)(i) of this section. The $2,000 limit under paragraph (b)(2)(ii) of this section does not apply to natural gas hot water boilers. Therefore, the total section 25C credit allowable to B, assuming B meets all applicable requirements of section 25C, is limited to $1,090 ($490 for the exterior doors + $600 for the natural gas hot water boiler) for taxable year 2024.

(d) *When expenditures are treated as made.* Pursuant to sections 25C(f)(1) and 25D(e)(8)(A), an expenditure for an item of property is treated as made when the original installation of the item is completed.

(e) *Expenditures in connection with reconstruction or addition; Substantiation*—(1) *In general.* Any amount paid or incurred by a taxpayer for section 25C property in connection with the reconstruction of or an addition to a dwelling unit will be treated as paid or incurred when the taxpayer's use of the reconstructed or post-addition dwelling unit begins.

(2) *New construction.* Any amount paid or incurred by a taxpayer in connection with the original construction of a dwelling unit is not an expenditure eligible for the section 25C credit.

(3) *Substantiation.* Taxpayers must maintain records that itemize the amount paid or incurred for each item of section 25C property in connection with the reconstruction or addition described paragraph (e)(1) of this section. Cost segregation studies may not be used as substantiation unless the taxpayer limits the amount claimed as a section 25C credit to the amount paid or incurred by the contractor or subcontractor for the section 25C property added to the dwelling unit as part of such reconstruction or addition.

(f) *Rules for joint occupancy, tenant-stockholders in cooperative housing, and members of a condominium management association*—(1) *Joint occupancy.* Pursuant to section 25C(f)(1) and section 25D(e)(4), in the case of any dwelling unit that is jointly occupied and used during the calendar year as a principal residence by two or more taxpayers, the expenditures allocated to any taxpayer for the taxable year in which such calendar year ends is the amount paid or incurred by such taxpayer for section 25C property with respect to such dwelling unit during such calendar year.

(2) *Tenant-stockholders in cooperative housing corporations*—(i) *In general.* Pursuant to sections 25C(f)(1) and 25D(e)(5), in the case of an taxpayer who is an individual tenant-stockholder (as defined in section 216 of the Code) in a cooperative housing corporation (as defined in section 216), for purposes of the section 25C credit, such taxpayer will be treated as having paid or incurred the taxpayer's proportionate share (as defined in section 216(b)(3)) of any amounts paid or incurred by such corporation for section 25C property. Tenant-stockholders that are not individuals cannot claim the section 25C credit.

(ii) *Example.* X, a cooperative housing corporation, has 10 tenant-stockholders who are all individuals. Each tenant-stockholder owns 1 share of stock. In taxable year 2024, X pays $2,000 for a new exterior door for the building and has no other expenditures eligible for the section 25C credit. Pursuant to paragraph (f)(2)(i) of this section, each tenant-stockholder will be treated as having paid the tenant-stockholder's proportionate share of the expenditure for the exterior door. Under section 216(b)(3), the proportionate share is the proportion that the stock of the cooperative housing corporation owned by the tenant-stockholder is to the total outstanding stock of the corporation (including any stock held by the corporation). Each tenant-stockholder will be treated as having paid $200 ($2,000 × (1 share of stock per tenant-stockholder/10 total shares of stock)) for the exterior door. Assuming all other applicable requirements of section 25C are met, for taxable year 2024, each tenant-stockholder is entitled to a $60 ($200 × 0.3) section 25C credit with respect to the exterior door.

(3) *Condominium management association*—(i) *In general.* Pursuant to sections 25C(f)(1) and 25D(e)(6), in the case of a taxpayer who is a member of a condominium management association with respect to a condominium dwelling unit that the taxpayer owns, such taxpayer will be treated as having paid or incurred the taxpayer's proportionate share of any expenditures of such association for section 25C property. Such proportionate share may be determined using any reasonable method determined by the condominium management association's governing body. Unless otherwise provided in guidance, reasonable methods to determine the proportionate share of such association expenditures include, but are not limited to, looking to State law to determine the proportionate share of association expenditures, determining the proportionate share based on the association's organizational documents as they relate to each owner's responsibility for association expenditures, and determining the proportionate share based on the percentages of total square footage of the condominium's common elements for each individual owner. The governing body must maintain a consistent method for determining the proportionate share of association expenditures, and should maintain

records to document such determinations. The governing body also must develop reasonable procedures to notify individuals of their allocable share of the association expenditures, and of the PINs of the specified property. Nothing in this paragraph negates the individual limitations described in this section.

(ii) *Condominium management association.* For purposes of this paragraph (f)(3), the term *condominium management association* means an organization that meets the requirements of section 528(c)(1) and (2) of the Code with respect to a condominium project substantially all of the units of which are used as residences.

(iii) *Example.* Y, a condominium, has 50 resident owners. In taxable year 2024, Y pays $2,000 for a new exterior door for the building and has no other expenditures eligible for the section 25C credit. The organizational documents for Y include a Declaration that lists each resident's percentage interest in common elements based on the proportion of square footage of each dwelling unit to the total square footage of all dwelling units in the building. The Y Declaration shows that Z, an individual dwelling unit owner in Y, has a 10 percent interest in the common elements. Pursuant to paragraphs (f)(3)(i) and (ii) of this section, the Y Board of Directors can determine that Z's proportionate share of the expenditure for the exterior door is $200 ($2,000 × 0.1). Z will be treated as having paid $200 in taxable year 2024 for the exterior door for purposes of section 25C. Assuming all other applicable requirements of section 25C have been met, Z's section 25C credit for taxable year 2024 with respect to the exterior door will be $60 ($200 × 0.3).

(g) *Allocation for nonbusiness purposes in certain cases.* Pursuant to sections 25C(f)(1) and 25D(e)(7), if less than 80 percent of the use of an item of property is for nonbusiness purposes, only that portion of the expenditures with respect to such item that is properly allocable to use for nonbusiness purposes can be taken into account for purposes of calculating the section 25C credit.

(h) *Applicability date.* This section applies to taxable years ending after [DATE OF PUBLICATION OF FINAL REGULATIONS IN THE **FEDERAL REGISTER**].

§ 1.25C–3 Special rules.

(a) *In general.* This section provides special rules regarding the section 25C credit. Except as otherwise provided in this section, the other rules of the section 25C regulations continue to apply.

(b) *Enabling property; Taxable year of installation*—(1) *In general.* Except as provided in paragraph (b)(2) of this section, enabling property is considered to have been installed in conjunction with enabled property if it was installed in the same taxable year as the enabled property was installed.

(2) *Safe harbor.* If enabling property and enabled property are installed in consecutive taxable years, the taxpayer may treat the enabling property and enabled property as installed in the same taxable year (deemed taxable year), provided that the deemed taxable year is the later of the taxable year in which the enabling property was installed or the enabled property was installed. Nothing in this paragraph (b)(2) negates the requirement to provide a PIN for both the enabling and enabled property as required in section 25C(h), § 1.25C–4(a), or guidance.

(3) *Example.* In taxable year 2024, Taxpayer C installs a new panelboard in his principal residence, and in taxable year 2025, C installs a new electric heat pump water heater in his principal residence. If C chooses to apply the safe harbor under paragraph (b)(2) of this section, C may treat both the enabling property (panelboard) and the enabled property (electric heat pump water heater) to have been installed in taxable year 2025, for purposes of the section 25C credit. If C chooses not to apply the safe harbor under paragraph (b)(2) of this section, then the panelboard is determined to have been installed in taxable year 2024, and the electric heat pump water heater is determined to have been installed in taxable year 2025, for purposes of the section 25C credit. Thus, if C chooses not to apply the safe harbor under paragraph (b)(2) of this section, then C cannot claim the section 25C credit with respect to the panelboard.

(c) *Applicability date.* This section applies to taxable years ending after [DATE OF PUBLICATION OF FINAL REGULATIONS IN THE **FEDERAL REGISTER**].

§ 1.25C–4 Qualified Product Identification Number Requirements for Specified Property Placed in Service After December 31, 2024.

(a) *In general.* No section 25C credit is allowed with respect to any item of specified property placed in service after December 31, 2024, unless such item is produced by a qualified manufacturer and the taxpayer includes the PIN of such item on the taxpayer's tax return for the taxable year. Paragraph (b) of this section provides rules for a manufacturer of specified property to meet the requirement under section 25C(h)(3) of the Code to register with the IRS and enter into an agreement with the IRS regarding PINs. Paragraph (c) of this section provides rules for a manufacturer of specified property to meet the requirement under section 25C(h)(3)(A) to assign a product identification number unique to each item of specified property they produce (PIN assignment requirement). Paragraph (d) of this section provides rules for a manufacturer of specified property to meet the requirement under section 25C(h)(3)(B) to label each such item of specified property, and rules regarding the timing of providing PINs to taxpayers (PIN labeling requirement). Paragraph (e) of this section provides rules for a manufacturer of specified property to meet the requirement under section 25C(h)(3)(C) to make periodic written reports to the IRS of the PINs assigned, including such other information as the Secretary may require under the section 25C regulations with respect to the items of specified property (periodic written report requirement).

(b) *Qualified manufacturer registration and agreement*—(1) *General rule.* For a manufacturer of specified property to become a qualified manufacturer, the manufacturer must, in accordance with this paragraph (b) and guidance, register with and enter into an agreement with the IRS (QM Registration Application and Agreement), certifying under penalties of perjury that the manufacturer will—

(i) Assign a PIN unique to each item of specified property produced by such manufacturer, using the methodology described in paragraph (c) of this section and in guidance;

(ii) Label each such item of specified property with the unique PIN and furnish the PIN to the consumer who purchases such item, in accordance with the rules provided in paragraph (d) of this section and in guidance;

(iii) Make periodic written reports to the IRS of the PINs assigned and such other information as the Secretary may require with respect to such items of specified property, in accordance with the rules provided in paragraph (e) of this section and in guidance; and

(iv) Provide such other information and certifications that the IRS may require in guidance, on *https://www.irs.gov*, or on the electronic portal used by a manufacturer to register as a qualified manufacturer or to submit periodic written reports.

(2) *Manufacturers that can register to become qualified manufacturers*—(i) *General rule.* Only a manufacturer

producing specified property at the time of registration may register with the IRS to become a qualified manufacturer for purposes of section 25C.

(ii) *Rule for multiple manufacturers.* If more than one manufacturer participates in the production of the same product that is specified property, such manufacturers must follow the rules provided in guidance to determine which among them must register with the IRS to become a qualified manufacturer with respect to such property.

(3) *Validation and administrative review of agreements.* The IRS will validate and may reject a QM Registration Application and Agreement in accordance with guidance. If the IRS rejects a QM Registration Application and Agreement, then the manufacturer may request administrative review by the IRS of such rejection, as provided in guidance. Any IRS rejection of a QM Registration Application and Agreement is not subject to administrative appeal to the IRS Independent Office of Appeals.

(4) *Revocation and suspension.* The IRS may revoke or suspend a manufacturer's qualified manufacturer registration status in the IRS's sole discretion if the IRS concludes that the manufacturer is not adhering to the terms of its QM Registration Application and Agreement. If the IRS revokes or suspends a manufacturer's qualified manufacturer registration status, then the manufacturer may request administrative review by the IRS of the IRS's determination as provided in guidance. Any IRS determination relating to the revocation or suspension of a manufacturer's qualified manufacturer registration status is not subject to administrative appeal to the IRS Independent Office of Appeals.

(5) *Voluntary discontinuance.* A qualified manufacturer may voluntarily discontinue its qualified manufacturer registration status by following the procedures provided in guidance.

(c) *PIN assignment requirement.* Except as provided in guidance, for a manufacturer of specified property to be a qualified manufacturer, the manufacturer must assign a PIN unique to each item of specified property it produces, in accordance with paragraph (b)(1)(i) of this section and using the PIN Assignment System and other rules set forth in guidance.

(d) *PIN Labeling requirement; Time to provide PIN to taxpayers*—(1) *In general.* For a manufacturer of specified property to be a qualified manufacturer, the manufacturer must label each item of specified property it produces with a PIN unique to such item, in accordance with the requirements and rules set forth in guidance. Third-party labeling systems are not allowed, unless allowed by guidance.

(2) *Time to furnish PINs to taxpayers.* Qualified manufacturers must furnish PINs to taxpayers within the time frames set forth in guidance.

(e) *Periodic written report requirement*—(1) *In general.* For a manufacturer of specified property to be a qualified manufacturer, the manufacturer must submit periodic written reports to the IRS. A qualified manufacturer must follow the rules set forth in guidance regarding the required contents of the written reports, the attestation included with the written reports, the required timing and frequency with which to file the written reports, and the format of the written reports.

(2) *Increased frequency of filing written reports.* Notwithstanding guidance regarding the timing and frequency in which to file written reports, qualified manufacturers may submit written reports more frequently than required, provided that the other requirements relating to the written report are satisfied.

(3) *Updating and rescinding written reports.* If a qualified manufacturer wants to update or rescind certain information on a written report for a scrivener's error or missing PIN, the qualified manufacturer must follow the rules provided in guidance.

(f) *Applicability date.* This section applies to taxable years ending after [INSERT DATE OF PUBLICATION OF FINAL REGULATIONS IN THE **FEDERAL REGISTER**].

Douglas W. O'Donnell,

Deputy Commissioner.

[FR Doc. 2024–24110 Filed 10–24–24; 8:45 am]

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 117

[Docket No. USCG–2024–0198]

RIN 1625–AA09

Drawbridge Operation Regulation; Atlantic Intracoastal Waterway, Beaufort, SC

AGENCY: Coast Guard, Department of Homeland Security (DHS).

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard proposes to modify the operating schedule that governs the Lady's Island (Woods Memorial) Bridge across the Atlantic Intracoastal Waterway (AICW) (Beaufort River), mile 536.0, at Beaufort, SC. South Carolina Department of Transportation (SCDOT) has requested the Coast Guard consider changing the operating schedule to remove the seasonal operating schedule. This proposed action is intended to reduce vehicular traffic congestion and provide a more consistent operating schedule for the bridge. We invite your comments on this proposed rulemaking.

DATES: Comments and related material must reach the Coast Guard on or before December 9, 2024.

ADDRESSES: You may submit comments identified by docket number USCG–2024–0198 using Federal Decision Making Portal at *https://www.regulations.gov.*

See the ''Public Participation and Request for Comments'' portion of the **SUPPLEMENTARY INFORMATION** section below for instructions on submitting comments. This notice of proposed rulemaking with its plain-language, 100-word-or-less proposed rule summary will be available in this same docket.

FOR FURTHER INFORMATION CONTACT: If you have questions on this proposed rule, call or email Ms. Jennifer Zercher, Bridge Management Specialist, Seventh Coast Guard District; telephone 571–607–5951, email *Jennifer.N.Zercher@uscg.mil.*

SUPPLEMENTARY INFORMATION:

I. Table of Abbreviations

CFR Code of Federal Regulations
DHS Department of Homeland Security
FR Federal Register
OMB Office of Management and Budget
NPRM Notice of Proposed Rulemaking (Advance, Supplemental)
§ Section
U.S.C. United States Code
SC South Carolina
TD Temporary Deviation
AICW Atlantic Intracoastal Waterway

II. Background, Purpose and Legal Basis

Lady's Island (Woods Memorial) Bridge across the AICW (Beaufort River), mile 536.0, at Beaufort, SC, is a swing bridge with a 30-foot vertical clearance at mean high water in the closed position. The normal operating schedule for the bridge is found in 33 CFR 117.911(f).

On March 20, 2024, the Coast Guard published a temporary deviation entitled ''Drawbridge Operation Regulation; Atlantic Intracoastal Waterway, Beaufort, SC'' in the **Federal Register** (89 FR 19731). That temporary deviation, effective from 12:01 a.m. on