



OFFICE OF CITY MANAGER

August 30, 2010

Dear Farmington Hills Energy Efficiency Incentive Participants,

Please be advised of the attached guidance from the Internal Revenue Service regarding appliance rebate/incentive funds paid to homeowners. This letter describes how these funds will be treated as they relate to your personal income tax return. It appears to describe how rebate/incentive funds should be treated when making claims for the Federal Energy Tax Credit.

The City of Farmington Hills is unable to give Federal Income Tax advice. Please contact a tax professional for more information.

Regards,

A handwritten signature in black ink, appearing to read "Nate Geinzer".

Nate Geinzer, Management Assistant
City of Farmington Hills
ngeinzer@fhgov.com
248-871-2500

Attachment 1



OFFICE OF THE CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D. C. 20224

July 13, 2010

CC:ITA:B04
GENIN-126830-10

UIL: 61.40-00

Mr. Robert H. Edwards, Jr.
Deputy General Counsel for Energy Policy
Office of the General Counsel
United States Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Mr. Edwards:

This letter responds to your inquiry about whether rebates that state and local governments provide to individuals for the purchase of energy efficient home appliances constitute income for federal income tax purposes. As you explained to us, the State Energy Program (SEP) pursuant to 42 U.S.C. § 6322(d)(5)(A) and the Energy Efficiency and Conservation Block Grant (EECBG) Program pursuant to 42 U.S.C. § 17154(4) authorize state, local governments, and Indian tribes to use funds appropriated under the American Recovery and Reinvestment Act (ARRA) for these rebates. You indicated that Title 42 of the U.S. Code does not prescribe particular terms and conditions for any appliance rebate program and that this is the function of the various state and local governments. You also explained that the Department of Energy's (DOE) Weatherization and Intergovernmental Program of the Office of Energy Efficiency and Renewable Energy will release guidance that SEP and EECBG grantees implementing appliance rebate programs using ARRA funds should use the requirements set forth in 42 U.S.C. § 15821 and regulatory practices of the State Energy Efficiency Appliance Rebate Program (SEEARP).

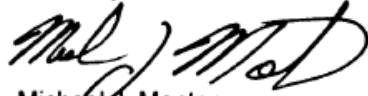
The enclosed Chief Counsel Advice, dated March 22, 2010, states that the Internal Revenue Service (IRS) will treat an SEEARP rebate for the purchase of an energy efficient home appliance as a reduction in the purchase price of the appliance rather than income. If SEP and EECBG grantees follow DOE's guidance, then the IRS will extend this treatment to SEP and EECBG ARRA-funded consumer rebate programs for Energy Star and other qualified energy efficiency appliances under 42 U.S.C. § 6322(d)(5)(A) or 42 U.S.C. § 17154(4). We do not express an opinion on SEP and EECBG ARRA-funded energy efficiency and renewable energy rebate and grant programs that are not consumer rebate programs for Energy Star and other qualified energy efficiency appliances.

GENIN-126830-10

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Please contact (202) 622-4920 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "MJ Montemurro". The signature is fluid and cursive, with the first and last names being more prominent.

Michael J. Montemurro
Branch Chief
Office of Associate Chief Counsel
(Income Tax & Accounting)

Enclosure