

February 7, 2007

Re: **Tax Credit Calculation Issue with MICROPAS7® v7.3**

Dear **Tax Credit Version User:**

It has come to my attention that the tax credit version of MICROPAS is using a different interpretation about verified insulation quality in the reference home than other approved tax credit software. Insulation quality is also known as insulation grade in RESNET terminology.

MICROPAS uses an interpretation similar to California's Title-24 where the reference home is not assumed to have insulation verification (grade III). Under this approach, if a builder is willing to install and verify the insulation installation, the home gets a credit. Other software uses an interpretation where the reference home is assumed to have insulation verification (grade I). With this interpretation, any home not having insulation quality is penalized.

A MICROPAS run with the current grade III interpretation will have a significantly higher percent above IECC than a version with the grade I interpretation. Results will vary for each home and climate. And there will always be differences in programs due to the underlying calculations and assumptions made when software is developed.

There are several possible resolutions to this issue. One is that the interpretation used in MICROPAS reflects the intent of the IRS rules and no changes are needed. A second possibility is that the interpretation used in other software reflects the intent of the IRS rules and a new version of MICROPAS would have to be approved. Additional possibilities are that either both interpretations or even that neither interpretation reflects the intent of the IRS rules. This is because neither the 2004 IECC nor the RESNET Tax Credit rules (publication 06-001) provide guidance on the concept of insulation grade as it applies to software certification.

Under these circumstances, I suggest that you consider the impact of this issue on your tax credit calculations and review IRS rules on certifications issued by raters. In the event that the existing version needs to be removed from the approved IRS software list, the IRS Notice 2006-27 5.05 states that "The removal will not affect the validity of any certification provided with respect to a dwelling unit on or before the date on which the software is removed from the published list". Of course I am not a tax lawyer or accountant, and I am not offering any tax advice on what you should do regarding this issue.

I will send you additional information on this issue when appropriate. If you would like to discuss this, I can be reached directly at 530-885-9891.

Sincerely,

Ken Nittler, P.E.
Enercomp, Inc.