

April 4, 2007

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

Dear **Tax Credit Version User:**

On February 7th, I alerted all tax credit version users to an issue related to how verified insulation quality is treated in the reference home. Insulation quality is also known as insulation grade in RESNET terminology. MICROPAS7 v7.3 has the insulation quality set to Grade III in the reference home. Other approved software has the insulation grade set to Grade I in the reference home. This difference is due to different interpretations of the tax credit procedures. This letter is an update on the situation.

At its February meeting, RESNET approved technical interpretation 2007-001 (attached) that specifies that the intent of the tax credit procedures was that the reference home should have the insulation quality set to Grade I. This interpretation was approved by the RESNET board subject to approval by the U.S. Department of Energy (DOE). On March 16th, the DOE made a determination that RESNET has the authority to issue interpretations to its rules.

On March 27th, Steve Baden, the executive director of RESNET, sent an email (attached) that requests that I submit a revised version of MICROPAS that meets the requirements of technical interpretation 2007-01 by April 25, 2007. I will be complying with his request, and assuming that a new version is approved, will be releasing it shortly after approval for your use.

Also in the email dated March 27th, Steve Baden states that "After the new software version is approved we will have a discussion on when the old software would be removed from the web site". The choice of such a date will be very important and deserves careful consideration so there can be an orderly transition. 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".

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. 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.

RESNET Interpretation on RESNET Procedures for Certifying Residential Energy Efficiency Tax Credits**RESNET Formal Interpretation 2007-001**

Approved by the RESNET Board of Directors, February 20, 2007

Proponent:

RESNET Technical Committee

Applies to:

RESNET Publication 06-001 and 05-001, *Procedures for Certifying Residential Energy Efficiency Tax Credits for New Homes*, Appendix A, Section 3, "Rule Set for Configuration of the Reference Home and Qualifying Home."

Interpretation:

Specifications for the configuration and operation of the Reference and Qualifying Homes that are not explicitly included in RESNET Publication 06-001 and 05-001 shall be as specified by Sections 303.4 and 303.5 of the *2006 Mortgage Industry National Home Energy Rating Systems Standards*.

Explanation:

This interpretation is required to provide complete and unambiguous specifications for the configuration and operation of the Reference and Qualifying Homes for the purposes of tax credit qualification. This applies generally to software providers.

Subj: **Revision of Micropas tax credit caculation software program**

Date: 3/27/2007 9:27:40 A.M. Pacific Daylight Time

From: sbaden@natresnet.org

To: KNittler@aol.com

Wednesday, April 04, 2007 America Online: KNittler

Ken,

On March 16, 2007 I informed you that the U.S. Department of Energy made a determination that RESNET has the authority to issue interpretations to the RESNET procedures for Certifying Residential Energy Efficiency Tax Credits (RESNET Publications 05-001 and 06-001). As you know, versions 7.1 and 7.3 of Micropas do not comply with RESNET Intrepretation 07-001. RESNET has been informed that these versions of Micropas are currently being used in the states of Arizona and Nevada for tax credit qualification as well as in California.

I my previous e-mail message I requested that you revise Micropas to reflect the requirements of RESNET Interpretation 07-001 and submit the revised software to RESNET for approval. By this message, I am requesting that you submit a revised version of Micropas within 30 days (April 25, 2007) so that it can be approved and that there will not be a lapse in the availability of Micorpas software for tax credit purposes.

After the new software version is approved we will have a discussion on when the old software would be removed from the web site and you notify your users to use the new approved version instead of Micropas v7.1 and v7.3 since they will no longer be recognized by RESNET as meeting the requirements for calculating qualification for the federal tax credit for highly-efficient homes. I look forward to receiving and reviewing your revised version of Micropas.

Steve