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Dear Valued Customer,

There have been a lot of concerns as to how and when the OBBB legislation signed on July 4th will affect the iAIRE solar assisted HVAC devices. The Bill contains an early termination of the photovoltaic solar and wind tax credits (Internal Revenue Code (IRC) 48E). Specifically, the Bill eliminates a taxpayer's ability to claim the 48E Clean Electricity Investment Tax Credits for a solar project where (i) beginning of construction (BOC) occurs on or after July 4, 2026 (the one-year anniversary of the Bill's enactment), and (ii) the project is placed in service after December 31, 2027.
Thus, a solar project placed in service before December 31, 2027, is still eligible for the credits. Additionally, a solar project where BOC occurs before July 4, 2026, is eligible for the credits even if it is placed in service after December 31, 2027. iAIRE expects that the standard "continuity" requirements would apply, which would allow for 2028, 2029, and 2030 placed in service dates.

Other types of projects, such as geothermal, fuel cell, combined-heat-and-power systems, biogas systems, waste energy recovery, thermal energy, and battery storage, may still claim the § 48E Clean Electricity Investment Tax Credits. The credits, however, will phase out after December 31, 2032, as follows:

- 100% credit is available if BOC occurs on or before December 31, 2033
- 75% credit is available if BOC occurs on or before December 31, 2034
- 50% credit is available if BOC occurs on or before December 31, 2035
- 0% credit is available if BOC occurs on or after January 1, 2036

iAIRE manufactures, assembles, sells, and installs solar assisted HVAC systems. iAIRE does not generate electrical energy from the solar panels iAIRE installs, but instead, creates thermal energy to heat the refrigerant in an HVAC system.
iAIRE adds a solar panel(s), a control board, sensors, a variable frequency drive, plumbing, electrical, and accessory parts to an HVAC unit. iAIRE works with Trane, Carrier, Lennox, York, and other HVAC manufacturers. iAIRE does not care which type of system or manufacturer iAIRE integrates. iAIRE can produce completely new systems or integrate with existing installed systems. iAIRE does not create electricity from solar panels but generates thermal energy, which is stored in the solar panels to be used to heat the refrigerant in the condenser unit. The result is a 20% - 65% reduction in electrical consumption for the HVAC system.
iAIRE has advised clients that the solar assisted HVAC system would qualify for Solar Tax Credits but based on the recent legislation and the regulations dealing with renewable energy, iAIRE thinks the proper classification is a "Thermal Energy Storage Property".

In general. Thermal energy storage property is property comprising a system that is directly connected to a heating, ventilation, or air conditioning (HVAC) system; removes heat from, or adds heat to, a storage medium for subsequent use; and provides energy for the heating or cooling of the interior of a residential or commercial building. Thermal energy storage property includes equipment, materials, and parts related to the functioning of such equipment to store thermal energy for later use to heat or cool a building space, or to provide hot water for use in heating a residential or commercial building. It does not include property that transforms other forms of energy into heat in the first instance. Property that *removes heat from, or adds heat to, a storage medium for subsequent use* is property that is designed with the particular purpose of substantially altering the time profile of when heat added to or removed from the thermal storage medium can be used for heating or cooling of the interior of a residential or commercial building. Paragraph (e)(10)(iii)(B) of this section provides a safe harbor for determining whether a thermal energy storage property has such a purpose. In addition, iAIRE feels iAIRE meets the Safe Harbor rules of the regulations since our solar panel box is insulated to keep the heat in for over an hour, which is reflected in our patents and in our OG100 listing.

Safe harbor: A thermal energy storage property will be deemed to have the purpose of substantially altering the time profile of when heat added to or removed from the thermal storage medium can be used to heat or cool the interior of a residential or commercial building if that thermal energy storage property is capable of storing energy that is sufficient to provide heating or cooling of the interior of a residential or commercial building for a minimum of one hour.

Domestic Content Percentages for § 48E Clean Electricity Investment Credits: The Bill revises the domestic content applicable percentages for qualified facilities and energy storage technology seeking to claim § 48E Clean Electricity Investment credits as follows:

- 40% if BOC occurs on or before June 16, 2025
- 45% if BOC occurs after June 16, 2025, and before December 31, 2025
- 50% if BOC occurs on or before December 31, 2026
- 55% if BOC occurs on or after January 1, 2027

Tax Depreciation: Although IRC § 48E property would still be listed as a five-year modified accelerated cost recovery system (MACRS) (i.e., accelerated depreciation), the Bill specifically removes solar and wind energy property from the five-year MACRS designation where BOC occurs on or after January 1, 2025. Despite this, the Bill retains 100% bonus depreciation under IRC § 168(k), which may still be available for such projects.

Based on the above analysis, iAIRE believes that our solar device qualifies as a Thermal Energy Storage Property and will still be eligible for the full 30% energy credit (and additional adders) and will not be phased out like solar or wind projects.

Sincerely,

Joseph E. Finkam