THE INFLATION REDUCTION ACT

Information on Energy Rebates and Tax Credits Available to Constituents to Help Them Save Money

Thanks to the newly enacted Inflation Reduction Act, families are eligible for hundreds of dollars a year in energy savings. The Inflation Reduction Act also includes direct savings for households to make crucial, cost-saving energy efficiency improvements to their home.

To get the most out of these savings, households can take advantage of various tax credits and rebates to help make their homes more efficient, power their homes with clean energy, and lower the cost of purchasing electric and hybrid cars.

The Inflation Reduction Act makes household savings available to our constituents, including:

- Up to 30 percent (capped at $1,200 per year) in tax credits for energy efficient home improvements, including heat pumps;
- Rebates for residential efficiency retrofits, electrification projects including heat pumps, cooktops, and other appliances—as well as associated electrical upgrades;
- Up to 30 percent in tax credits for rooftop solar, batteries, geothermal heat pumps, and other property; and
- Up to $7,500 in tax credits for new clean vehicles, and up to $4,000 for used clean vehicles, depending on taxpayer income and other factors.

TAX CREDITS FOR RESIDENTIAL ENERGY EFFICIENCY IMPROVEMENTS

As a result of the Inflation Reduction Act, homeowners will have access to expanded tax credits for energy efficiency improvements, including certain onsite installation costs.

Starting in 2023, homeowners can receive up to 30 percent back through tax credits for making energy efficiency improvements to their home – up to maximum of $1,200 per year.

Find out more about what is eligible, and additional limits, below:

[1]

	What is Eligible?	Maximum Credit for Property Per Year
WINDOWS, DOORS, AND INSULATION		
Windows	Energy Star Most Efficient	$600 across all windows
Doors	Energy Star	$250 per door, $500 across all doors
Insulation	Most recent International Energy Conservation Code as of two years prior	No property-specific limit
HVAC SYSTEMS AND WATER HEATERS		
Heat pump water heaters	Consortium for Energy Efficiency (CEE) highest tier below Advanced Tier	$2,000 total across heat pump water heaters, heat pumps, and biomass stoves. $1,200 annual limit does not apply
Heat pumps	CEE highest tier below Advanced Tier	
Biomass stoves or hot water boilers	Thermal efficiency rating of at least 75 percent	
Central air conditioners	CEE highest tier below Advanced Tier	$600 per AC unit
Natural gas, propane, oil water heaters	CEE highest tier below Advanced Tier	$600 per water heater
Natural gas, propane, or oil furnaces or hot water boilers	CEE highest tier below Advanced Tier Oil furnaces and hot water boilers can also qualify if they… *During 2023-2026:* meet 2021 Energy Star and are rated by manufacturer for use with at least 20 percent biofuel blends *During 2027-2032*: meet at least Annualized Fuel Utilization Efficiency (AFUE) of 90, and are rated by manufacturer for use with at least 50 percent biofuel blends	$600 per furnace/boiler
OTHER		
Electric panel (panelboard, sub-panelboard, branch circuit, or feeders)	Have a load capacity of at least 200 amps and are installed in connection with and enable the installation/use of any other types of property described under the earlier headings	$600 per property
Home energy audits	Must be conducted by a certified home energy auditor (guidance to come from IRS)	$150 total

TAX CREDITS FOR RESIDENTIAL ENERGY PROPERTY

Individuals can receive a tax credit of 30 percent of the cost of property for rooftop solar and other residential clean energy systems installed on their homes. Eligible property includes:

- Residential solar and solar water heaters
- Small wind
- Geothermal heat pumps
- Battery storage
- Fuel cells

Eligible expenditures include certain onsite installation costs. Solar expenditures include products such as solar shingles. For more information, see this IRS Q&A.

If an individual does not have sufficient tax liability to use up the entire credit amount during the year they install the property, they may carryforward any remaining credit one year.

Additionally, individuals may see reduced pricing from community solar or solar leasing options, where the commercial entity takes the business credit for the property, rather than the individual.

TAX CREDITS FOR NEW ELECTRIC VEHICLES

Vehicles Purchased before August 16th, 2022:

Individuals can receive a tax credit to offset their current year tax liability for the purchase of an electric vehicle or plug-in hybrid vehicle. The credit ranges from $2,500 to $7,500, depending on the vehicle's battery capacity.

The credit phases out for manufacturers that have sold over 200,000 vehicles in the United States. Tesla and GM reached this phase out threshold, and therefore credits with respect to their cars are not eligible for the credit.

Constituents can claim the credit by filling out this form and attaching it to their annual tax filing.

Vehicles Purchased on August 17th, 2022, through December 31, 2022:

The same rules as above apply, but there is an additional requirement: the credit is only available for qualifying electric vehicles for which final assembly occurred in North America.

DOE has developed a list of Model Year 2022 and 2023 electric vehicles and plug-in hybrids that likely meet the final assembly requirement. Individuals may also use the following VIN lookup tool to determine whether a vehicle's final assembly occurred in North America.

Does the final assembly requirement still apply if someone purchased my electric vehicle or plug-in hybrid prior to or on August 16th, 2022, but haven't taken possession of the vehicle yet? No – if someone entered into a written binding contract to purchase the vehicle before or on August 16th, 2022, and the vehicle otherwise meets all of the requirements for the credit, the final assembly requirement will *not* apply.

More information on what constitutes a written binding contract can be found here.

Vehicles Purchased in 2023 through the end of 2032:

The 200,000 vehicle credit phase-out is removed (so Tesla and GM cars may once again qualify for the credit). However, existing requirements, including the requirement that "final assembly must have occurred in North America" still apply.

In addition to the final assembly requirement above, electric vehicles and plug-in hybrids must meet several other requirements to qualify for the credit, including:

- The vehicle must have a battery capacity of at least 7kW hours or be a fuel-cell vehicle (subject to certain requirements)
- Certain manufacturer's suggested retail price limitations ($55,000 for sedans, $80,000 for pickups, vans, and SUVs)
- Certain income limitations:
  - Modified adjusted gross income limits by filing status:
    - $150,000 for single
    - $225,000 for head of household
    - $300,000 for married filing jointly
  - Buyers may use the lower of the prior or current year's modified adjusted gross income
- Certain content requirements:
  - A portion of the battery's critical minerals must come from the United States or countries with which we have free trade agreements
  - A portion of the battery's components must be manufactured or assembled in North America
  - Starting in 2024, none of the vehicle's battery components can come from a foreign entity of concern. Additionally, starting in 2025, the vehicle may not contain any critical minerals that were extracted, processed, or recycled in a foreign entity of concern. These provisions may affect vehicles with supply chains related to China

What if constituents do not have sufficient tax liability, or prefer to receive the value of the credit at the point of sale? Starting in 2024, car dealers may provide the option of a "dealer transfer." In this case, car buyers can transfer their credit to their dealer at the point of sale, therefore the credit can be used to reduce the purchase price instead of the buyer claiming the credit at tax filing. The IRS will provide more information on these rules closer to when the rules go into effect.

What about EV charging equipment? Individuals who live in a low-income census tract or do not live in an urban area are eligible for a 30 percent tax credit on the cost of charging or refueling equipment, up to a $1,000 credit.

TAX CREDITS FOR USED ELECTRIC VEHICLES

Starting in 2023, individuals can receive a tax credit of up to $4,000 for certain used electric vehicles and plug-in hybrids purchased through a dealership.

In order to qualify, the vehicle must:

- Generally be a model at least two years old
- Have a battery capacity of at least 7kW hours
- Be sold by a participating dealer which is licensed in the jurisdiction

What if constituents do not have sufficient tax liability, or prefer to receive the value of the credit at the point of sale? Starting in 2024, car dealers may provide the option of a "dealer transfer." In this case, car buyers can transfer their credit to their dealer at the point of sale, therefore the credit can be used to reduce the purchase price instead of the buyer claiming the credit at tax filing.

What about charging equipment? Individuals who live in a low-income census tract or do not live in an urban area are eligible for a 30 percent tax credit on the cost of charging or refueling equipment up to a $1,000 credit.

REBATES FOR RESIDENTIAL ENERGY EFFICIENCY IMPROVEMENTS

The Inflation Reduction Act established two energy efficiency rebate programs that individuals can apply for: the HOME Rebates Program and the High-Efficiency Electric Home Rebate Program. These programs, run by the Department of Energy (DOE), will be administered by state energy offices. **Timelines for program development and implementation are still being developed, so these programs are not yet available to homeowners. However, DOE has announced state allocations for each program.**

The Inflation Reduction Act designates $4.3 billion for the HOME Rebates Program, and $4.275 billion for states and $225 million for Tribes for the High-Efficiency Electric Home Rebate Program.

The HOME Rebates Program will administer grants to state energy offices to implement the HOME rebates programs. Once a state energy office applies for and receives the grant from DOE, it can provide rebates for whole-house energy saving retrofits begun on or after the date of enactment of the IRA and completed by Sept. 30, 2031. A rebate under HOME may not be combined with any other federal grant or rebate.[1] In addition to the rebates for individual households detailed below, projects for multifamily buildings are also eligible and have different requirements.

Retrofit energy savings	Rebate Amounts for Single-Family Homes	Rebate Amounts for Single-Family Homes occupied by a low- or moderate- income household [2]
For retrofits that cut energy usage between 20 percent and 35 percent	The lesser of: • $2,000 • 50 percent of project costs	The lesser of: • $4,000 per single family home/dwelling unit • 80 percent of the project cost
For retrofits that cut energy usage by 35 percent or more	The lesser of: • $4,000 • 50 percent of project costs	The lesser of: • $8,000 per single family home/dwelling unit • 80 percent of project cost
For retrofits that cut energy usage by not less than 15 percent	• A payment rate per kilowatt hour saved, or kilowatt hour equivalent saved, equal to $2,000 for a 20 percent reduction of energy use for the average home in the state, or • 50 percent of the project cost	• A payment rate per kilowatt hour saved, or kilowatt hour equivalent saved, equal to $4,000 for a 20 percent reduction of energy use for the average home in the state, or • 80 percent of the project cost

The High-Efficiency Electric Home Rebate Program will award $4.275 billion to state energy offices and $225 million to Tribes to develop and carry out high-efficiency electric home rebate programs. States and Tribes will receive funding dependent on their successful application to DOE.

These rebates will be administered – and income eligibility will be verified – at the point of sale. An eligible entity receiving multiple rebates may not receive more than a total of $14,000 in rebates. In addition to the rebates for individuals explained below, whole building projects for multifamily buildings are also eligible and have different requirements.

[1]This includes the High-Efficiency Electric Home Rebate Program. Tax credits are not excluded in the IRA text, however program regulations are still being developed.

[2] Low- or Moderate- income household means an individual or family the total annual income of which is less than 80% of the median income of the area in which the individual or family resides, as reported by the Department of Housing and Urban Development, including an individual or family that has demonstrated eligibility for another Federal program with income restrictions equal to or below 80% of area median income.

Income requirements for the High-Efficiency Electric Home Rebate Program:

- **For households with annual income below 80 percent of an area's median income, the household can receive rebates up to 100 percent of the project cost.**
- **For households with annual income between 80 percent to 150 percent of an area's median income, the household can receive rebates up to 50 percent of the project cost.**

Electrification Upgrades	Amount of rebate provided
Heat pump water heater	Not more than $1,750
Heat pump space heating or cooling	Not more than $8,000
Electric stove, cooktop, range, or oven; or electric heat pump clothes dryer	Not more than $840
Electrical panel/breaker box upgrade	Not more than $4,000
Insulation, air sealing, ventilation	Not more than $1,600
Electric wiring	Not more than $2,500