

Guide to Inflation Reduction Act



Home Energy Incentives

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Dear friend,

I voted to pass the Inflation Reduction Act (IRA) to make health care more affordable, lower the cost of prescription drugs, and invest in climate solutions while creating millions of good-paying jobs and dramatically reducing the deficit.

This legislation is the largest investment in our nation's history to combat climate change and will provide the action our country has long demanded. I joined my colleagues on the Ways and Means Committee to expand green energy deployment and build upon that work with new, targeted incentives that help everyday Americans save energy and money.

The [Inflation Reduction Act](#) includes my legislation to support clean hydrogen, a critical industry for our environment and Connecticut's manufacturing economy. Together, these policies mean more good-paying American jobs and a cleaner environment.

Part of these efforts are tax credits and rebates to drive down the cost of vehicle and home upgrades. These incentives will fight climate change while improving the air we breathe and lowering energy costs. In order to ensure that my constituents are able to receive what they are now entitled to, my office has put together this guide to help you navigate these new and expanded programs.

This guide is intended to function as a starting point for individuals interested in how they can lower their energy costs and output. It should not be used as the only source of information when making purchases, tax decisions, or binding agreements.

Many programs included in this document can be utilized for multifamily housing and many other incentives exist to support businesses as well. If you have any questions about these programs, or the ones outlined in this guide, please do not hesitate to reach out to my office.

Sincerely,

A handwritten signature in blue ink that reads "John B. Larson".

John B. Larson
Member of Congress

Table of Contents

New Electric Vehicles:_____	3
Used Electric Vehicles:_____	4
Home Energy Generation:_____	4
Energy Efficiency Home Upgrades:_____	5
Electric Appliances and Wiring_____	6
Whole Home Upgrades:_____	7

New Electric Vehicles:

Overview: The *Clean Vehicle (Tax) Credit* is available to assist consumers with new electric vehicle purchases. The full credit is worth \$7,500. Through 2023, this credit will be claimed on a tax return. In 2024 and onward, the credit can be given at the point of sale, instantly reducing purchase price.

Personal Income Eligibility: Single filers making under \$150,000 and joint filers making under \$300,000 (based on Modified Adjusted Gross Income (MAGI) are eligible to claim this credit. Purchasers may use either the previous years income or current year income to qualify.

If you do not meet this requirement, you may still be eligible to receive the credit before the end of 2022 (see timeline below).

Vehicle Eligibility: In order to be eligible for the credit, vans, SUV's, and pickup trucks must have a manufacturer's suggested retail price (MSRP) under \$80,000 and all other cars must have an MSRP under \$55,000. Additionally, vehicles must meet domestic manufacturing and supply chain requirements, with standards increasing annually over time through 2030. Vehicles may be eligible for half of the credit (\$3,750) if they meet partial requirements. As a result of annual carmaker pricing and manufacturing changes, as well as increasing environmental standards, vehicle models eligible for the credit will change annually.

Timeline: The Clean Vehicle Credit is being implemented on an ongoing basis.

- If you purchased a vehicle prior to August 16th, 2022: You are still eligible to claim the credit as it stood prior to the IRA being signed into law. This applies no matter when you physically obtained the vehicle, as long as you have a binding purchase contract from before that date.
- If you purchase a vehicle between August 16th and December 31, 2022: The credit may be used on any vehicle that meets domestic manufacturing requirements and

whose manufacturer has not met a sales cap (this sales cap will be eliminated beginning in 2023). There are no limitations on vehicle price, household income, or material supply chain. A list of vehicles that likely meet the assembly requirements, as well as if they have met their sales cap can be found at the [Department of Energy's Website](#).

- **If you purchase a vehicle in 2023 onwards:** All eligibility requirements will be in place. More information on implementation and which models will likely be eligible for the 2023 credit will be released in future months.

Used Electric Vehicles:

Overview: For the first time, a federal subsidy will be available to lower the cost of purchasing a used electric or hybrid vehicle. The *Previously-Owned Clean Vehicle* tax credit is worth \$4,000 or 30% of the sales price (whichever is lower). The credit may be claimed by the customer on their tax returns or at the point of sale to instantly reducing the purchase price.

Personal Income Eligibility: Single filers making under \$75,000 and joint filers making under \$150,000 (based on Modified Adjusted Gross Income (MAGI) are eligible to claim this credit. Purchasers may use either the previous years income or current year income to qualify.

Vehicle Eligibility: The credit is available for the first sale of a used electric or hybrid vehicle that is over two years old and selling under \$25,000. The vehicle must be sold by a dealer. Unlike the credit for new vehicles, there are no limitations related to manufacturing or supply chain.

Timeline: The credit will be available for any cars purchased after December 31, 2022.

Home Energy Generation:

Solar (electricity and water heating), fuel cells, geothermal heat pumps, small wind energy, battery storage

Overview: The IRA extends and expands a tax credit for homeowners installing equipment like solar panels. Homeowners are eligible for a 30% tax break for the cost of expenses, including equipment, taxes, installation, and other fees.

The credit, now known as the *Residential Clean Energy Credit*, amounts to a dollar-for-dollar reduction on your income tax. For example, if you receive a credit of \$1,000, your income tax owed would be reduced by that amount. If your total credit is larger than your annual tax liability, the remaining credit can be carried forward to a future tax year.

Previously, the credit was set at 26% in 2022 and 22% for 2023 before ending completely, and had more limited eligibility for storage technology.

Homeowner Eligibility: There is no income limit to receive the credit. Technology must be installed at a primary or secondary home. The credit can be divided among owners if technology is being shared among a co-op or community-owned system.

The credit can only be used if the solar panels are being purchased by you. If you are leasing panels, the credit will be claimed by the company that owns the panels, resulting in a discounted sticker price for the homeowner.

Technology Eligibility: Each eligible technology has certain power generation requirements. Consult with your manufacturer or installer to ensure that your purchase will qualify for the credit.

Effective Date: January 1, 2022 – The full credit applies for all property put in place from 2022 through 2032. Because the credit is retroactive to the start of 2022, you will receive the full 30% credit if you have installed equipment earlier this year.

Energy Efficiency Home Upgrades:

Windows, doors, home energy audits, heat pumps, sealing-materials, electrical upgrades
Overview: The IRA extends and expands a tax credit for energy efficiency upgrades to your home. This credit is 30% of what homeowners spend on a range of energy efficiency upgrades, up to \$1,200 annually (or \$2,000 for a heat pumps or biomass stoves and boilers).

This credit, now known as the Energy Efficient Home Improvement Credit, amounts to a dollar-for-dollar reduction on your income tax. For example, if you receive a credit of \$1,000, your income tax owed would be reduced by that amount. The credit can only reduce what you owe in taxes to \$0, if you have any amount remaining it can not be used in future years.

This is an expansion of the previous *Nonbusiness Energy Property Credit* which provided only a 10% credit, had a \$500 lifetime cap, and included a more limited amount of upgrades.

Homeowner Eligibility: There is no income limit to receive the credit and any residence is eligible.

Equipment Eligibility: Many eligible upgrade categories have a maximum amount that can qualify for credit each year. All upgrades must meet standards set by the Department of Energy. Check with your manufacturer to confirm if your upgrades are eligible.

- Heat Pumps and Biomass Stoves and Boilers: Maximum \$2,000
- Energy Property: Maximum \$600 credit per item. Eligible expenses include:
 - Central air conditioners
 - Natural Gas, propane, or oil water heater, furnace, or hot water boiler

- Upgrades to electrical systems in order to accommodate other qualifying property
- Windows: Maximum \$600 credit for all window expenses
- Doors: Maximum \$250 credit for an exterior door, maximum \$500 for all exterior doors
- Home Energy Audit: Maximum \$150 credit
- Home air-sealing insulation: Maximum \$1200

Effective Date: The credit will go into effect beginning in 2023.

Electric Appliances and Wiring

Heat pump water heaters, heat pump heating and cooling, ovens and stoves, dryers

Overview: The new *High-Efficiency Electric Home Rebate Program* will nearly fully cover the costs of new appliances and home upgrades for low- and moderate- income households, and partially cover costs for middle-income households.

This program will be administered by the State of Connecticut, using federal funding and requirements. As a result, specific information about how the program will be administered in the state (including how to apply and final household and appliance eligibility) will be forthcoming from the state.

Eligible individuals can receive a lifetime maximum of \$14,000 in rebates.

Homeowner Eligibility: In order to qualify for a 100% of rebate (up to the maximum amount), your household income must be below 80% of the Area Median Income (AMI). To receive a rebate of 50%, household income must be below 150% of your AMI. [This tool can be used to look up your area's AMI.](#)

Technology Eligibility: All upgrades must meet standards set by the Department of Energy. Check with your manufacturer to confirm if your upgrades are eligible.

- Heat pump (water heater): Maximum \$1,750 rebate
- Heat pump (heating and cooling): Maximum \$8,000
- Electric stove, cooktop, range, or oven: Maximum \$840 rebate
- Electric heat pump clothes dryer: Maximum \$840 rebate
- Upgrading your electrical panel or a “heavy up”: Maximum \$4,000 rebate
- Insulation, air sealing, and ventilation: Maximum \$1,600 rebate
- Electric wiring: Maximum \$2,500 rebate

Specific upgrades cannot be used for two different federal grants or rebates, including the *HOMES Rebate Program* (see below).

Effective Date: This program needs to be implemented on a federal and state level. It is likely to go into effect in 2023.

Whole Home Upgrades:

Overview: The HOMES Rebate Program will subsidize whole home retrofit projects.

This program will be administered by the State of Connecticut, using federal funding and requirements. As a result, specific information about how the program will be administered in the state (including how to apply and final household and upgrade regulations) will be forthcoming from the state. They may apply to the federal government to increase the rebate amount available for low- and moderate-income households.

Homeowner Eligibility: There is no income limit to qualify for the program, however, low- and moderate-income households are eligible for a larger rebate. Households below 80% of the Area Median Income (AMI) are eligible for this larger amount. [This tool can be used to look up your area's AMI.](#)

Technology Eligibility: The IRA does not specify limits on which technologies and home upgrades may be eligible for the rebate, only requiring that a certified contractor detail how the work will reduce overall energy usage. The Department of Energy and the State of Connecticut may release additional guidelines as the program is implemented.

Specific upgrades cannot be used for two different federal grants or rebates, including the *High-Energy Electric Home Rebate Program* (see above).

Rebate Amount:

Low- and Moderate-Income Households:

- 20%-34% Energy Reduction: 80% of costs up to \$4,000 maximum
- 35% or greater Energy Reduction: 80% of costs up to \$8,000 maximum

Other Households:

- 20%-34% Energy Reduction: 50% of costs up to \$2,000 maximum
- 35% or greater Energy Reduction: 50% of costs up to \$4,000 maximum

Effective Date: This program needs to be implemented on a federal and state level. It is likely to go into effect in 2023.