



Residential Clean Energy

Inflation Reduction Act of 2022 | Office of U.S. Senator Tina Smith

Residential Clean Energy Tax Credits

Tax credits are available for 10 years to individuals regardless of income for up to 30% of the cost of energy efficiency improvements or “energy property” expenditures. This “25C” provision provides funding for several types of upgrades:

- **Water Heaters:** \$600 for electric or gas heat pump water heater or heat pump, central air, gas or propane water heater or hot water boiler, or biomass boiler
- **HVAC:** \$2,000 towards a heat pump
- **Windows and Doors:** windows (\$600), doors (\$250 per door, up to \$500 total)
- **Insulation/Weatherization:** \$1200
- **Home Energy Audits:** \$150

Funding is also available for labor and installation costs. Total credit amounts are limited to \$1,200 per individual each year.

The law also extends the “25D” residential clean energy credit until 2034, which covers 30% of the costs of installing solar and adds battery storage as a qualified expenditure. And the bill increases the amount for an energy efficient home credit for new manufactured homes to \$2,500 or \$5,000 if the home meets energy star requirements.

Clean Vehicle Tax Credits

Americans can receive up to \$7,500 for new and the lesser of \$4,000 or 30% of the sale price for used clean cars, vans, and trucks. Clean vehicles include electric or fuel cell motor vehicles. The new vehicle credit is divided into two parts:

1. A \$3,750 credit if critical minerals in the vehicle are extracted, processed, or recycled in the US or free trade partner countries. The percentage of components that must meet this requirement increases over time.
2. A \$3,750 credit if the battery components are manufactured or assembled in North America. The percentage of components that must meet this requirement increases over time.

For new vehicles, the credits are limited to taxpayers with incomes less than \$300,000 for joint households, \$225,000 for head of household, and \$150,000 for individual taxpayers.

For used vehicles, the income caps are lower (\$150,000 for joint households, \$112,500 for head of household, and \$75,000 for individual taxpayers). The used vehicle credit is not contingent on the content requirements outlined above.

New vehicles must cost less than \$80,000 for vans and trucks or less than \$50,000 for cars to qualify. This provision also removes the old cap on the number of credits that could be claimed based on the number of vehicles sold by a particular manufacturer.

Residential Efficiency and Electrification Whole-House Rebates

Provides \$4.3 billion over 10 years to carry out a program that awards grants to State energy offices to implement a HOMES rebate program which gives homeowners rebates for whole-house energy saving retrofits. The rebate amounts are based on estimated energy savings as outlined below.

Single Family Homes

- 15-20% energy systems savings: a payment rate per kilowatt-hour saved equal to \$2,000 for a 20% reduction or 50% of the project cost.
- 20-35% energy systems savings: the lesser of \$2,000 or 50% of the project cost.
- Over 35% energy system savings: the lesser of \$4,000 or 50% of the project cost.

Multi-Family Homes

- 15-20% energy systems savings: a payment rate per kilowatt-hour saved equal to \$2,000 for a 20% reduction or 50% of the project cost.
- 20-35% energy systems savings: \$2,000 per dwelling unit with a maximum of \$200,000 per multifamily building.
- Over 35% energy system savings: \$4,000 per dwelling unit with a maximum of \$400,000 per multifamily building.

Rebate amounts should be doubled or upped to 80% of project cost for low- and moderate-income households.

High Efficiency Electric Home Rebate Program

Funding for state energy offices (\$4.28 billion) and Tribes (\$225 million) over 10 years to implement a high efficiency electric home rebate program that provides rebates for qualified electrification projects. Rebates are available for heat pump water heaters (\$1,750) or heating/cooling (\$8,000), electric stove/cooktop/range/oven or clothes dryer (\$840), electric load service center upgrade (\$4,000), insulation or air sealing for better ventilation (\$1,600) or electrical wiring (\$2,500). Maximum of \$14,000 in rebates per individual. The program should also provide funding for installation up to \$500. Eligible entities for the rebates include low- or moderate-income households, an entity which owns a multifamily building with at least 50% low- and moderate-income residents, or a government, commercial, or nonprofit entity carrying out a qualified project on behalf of a low- or moderate-income entity (defined as having a total annual income less than 150% of the median income in the area).

NOTE: Individuals in states implementing one of these state-level programs cannot also claim the Federal residential rebates outlined above. Individuals will need to decide which option best matches their needs and circumstances.