

Maximizing Your Energy Efficiency through the Inflation Reduction Act

THE IRA TOOLKIT



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Inflation Reduction Act in a Nutshell

TOTAL REVENUE RAISED - \$737 billion

- 15% Corporate Minimum Tax \$222 billion
- Prescription Drug Pricing Reform \$265 billion
- IRS Tax Enforcement \$124 billion
- 1% Stock Buybacks Fee \$74 billion
- Loss Limitation extension \$52 billion

TOTAL INVESTMENTS \$437 billion

- Energy Security and Climate Change \$369 billion
- Affordable Care Act Extension \$64 billion
- Western Drought Resiliency \$4 billion

TOTAL DEFICIT REDUCTION \$300+ billion

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- **Expands Medicare benefits:** free vaccines (2023), \$35/month insulin (2023) and caps out-of-pocket drug costs to \$4,000 in 2024 and \$2,000 in 2025
- **Lowers energy bills:** cuts energy bills by \$500 to \$1,000 per year
- **Historic climate investment:** reduces carbon emissions by roughly 40% by 2030
- **Lowers health care costs:** saves \$800/year at ACA marketplace, allows Medicare to negotiate 100 drugs over next decade, and requires drug companies to rebate back price increases higher than inflation
- **Creates manufacturing jobs:** \$60 billion+ invested will create millions of new domestic clean manufacturing jobs
- **Invests in disadvantaged communities:** \$60 billion to clean up pollution and address environmental injustices.
- **Closes tax loopholes used by wealthy:** 15% corporate minimum tax, a 1% fee on stock buybacks and enhanced IRS enforcement
- **Protects families and small business making \$400,000 or less**

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Lower energy costs and reduce your carbon footprints with the new IRA legislation

- \$14,000 in rebates and tax credits to make people's homes more energy-efficient.
- \$7500 rebates for the purchase of new American made electric vehicles.
- \$4000 rebates on the purchase of used American made electric vehicles.

~ 40% of carbon emissions stems from buildings, so such incentives could help the U.S. achieve its goal of lowering fossil-fuel emissions in two separate rebate programs: **The HOMES Rebate Program** and **High-Efficiency Electric Home Rebate Act (HEEHRA)**

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- **The HOMES Rebate Program:** \$4 billion to states to make homes more energy-efficient. Provides rebates based on the energy savings upgraded homes achieve. Homeowners cutting energy usage by at least 35% get up to \$4,000 in rebates. That's doubled to \$8000 for low- and middle-income households.
- **High-Efficiency Electric Home Rebate Act (HEEHRA):** Provides rebates for low- and middle-income families to electrify homes, ie by installing heat pumps or electric clothes dryers. Per household rebate capped at \$14,000, and households can't receive two rebates for the same upgrade. For instance, if they claim a HOMES Rebate program for a heat pump, they won't get rebate through HEEHRA.

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Caps on rebates for upgrades made via the HEEHRA program:

- \$1,750 for a heat pump water heater
- \$8,000 for a heat pump for space heating and cooling
- \$840 for electric stoves, cooktops, ranges, ovens and electric heat pump clothes dryers
- \$4,000 for an electric load service center upgrade
- \$1,600 for insulation, air sealing and ventilation
- \$2,500 for electric wiring

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Beginning in 2023, the rebates will be:

- \$150 for home energy audits;
- \$250 for an exterior door (\$500 total for all exterior doors);
- \$600 for exterior windows and skylights; central air conditioners; electric panels and certain related equipment; natural gas, propane, or oil water heaters; natural gas, propane, or oil furnaces or hot water boilers; and
- \$2,000 for electric or natural gas heat pump water heaters, electric or natural gas heat pumps, and biomass stoves and boilers (for this one category, the \$1,200 annual limit may be exceeded).

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For eligible **home improvements after 2024**

- no credit will be allowed unless the manufacturer of any purchased item creates a product identification number for the item
- the person claiming the credit includes the number on his or her tax return.

The revised credit will be extended through 2032

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Residential Clean Energy Credit

- Current **Residential Energy Efficient Property Credit** for homeowners will get a new name under the Inflation Reduction Act. It's now called the **Residential Clean Energy Credit**.
- The credit, which was previously scheduled to expire in 2024, is extended through 2034 as well.

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Inflation Reduction Act Boosts the Credit Amount

- Previous credit was worth 26% of the cost to install qualifying systems that use solar, wind, geothermal, biomass or fuel cell power to produce electricity, heat water or regulate the temperature in your home. The credit for fuel cell equipment is limited to \$500 for each one-half kilowatt of capacity.
- Credit amount scheduled to drop to 23% in 2023 and expire in 2024, now jumps to 30% from 2022 to 2032, then falling to 26% for 2033 and 22% for 2034. The credit expires after 2034.

Scope of Credit is also Adjusted In 2023

- It no longer applies to biomass furnaces and water heaters
- But it WILL apply to battery storage technology with a capacity of at least three kilowatt hours.

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Alternative Fuel Refueling Property Credit

- The Alternative Fuel Refueling Property Credit expired at the end of 2021 was given new life by the Inflation Reduction Act, extending its application through 2032.
- For homeowners, the credit is worth 30% of the costs of "qualified alternative fuel vehicle refueling property" installed in the home, up to \$1,000.
- In 2023 the credit applies to the purchase of "bidirectional" charging equipment, which can charge the battery of an electric vehicle *and* allow you to discharge electricity from the battery back out to the electric grid.

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High-Efficiency Electric Home Rebates

Although not a tax credit, the High-Efficiency Electric Home Rebate Program helps Americans go green. The program provides rebates to low- and middle-income families who purchase energy-efficient electric appliances. To qualify for a rebate, your family's total annual income must be less than 150% of the median income where you live.

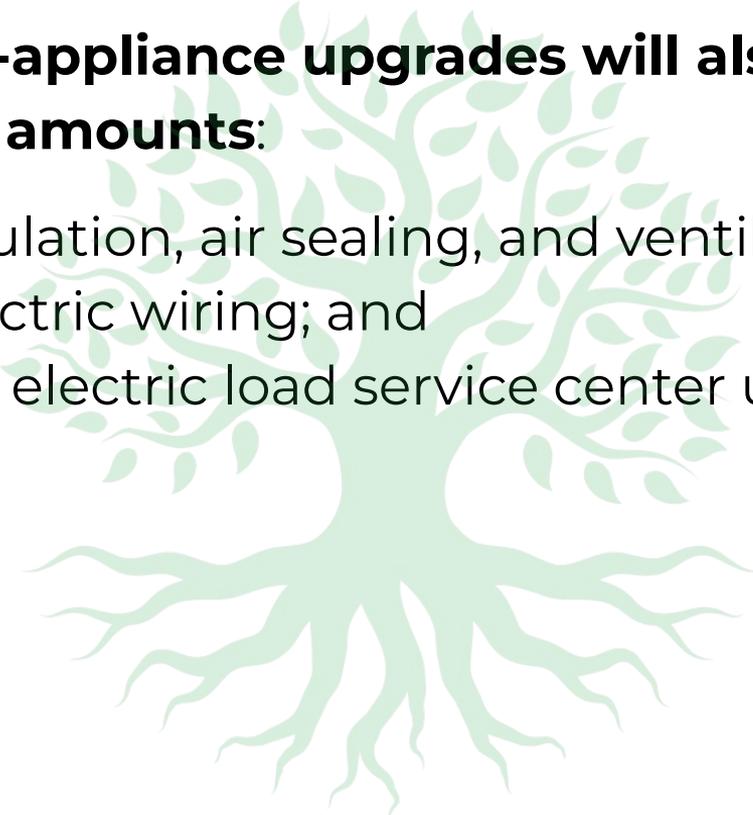
Qualifying homeowners can get rebates as high as:

- \$840 for a stove, cooktop, range, oven, or heat pump clothes dryer;
- \$1,750 for a heat pump water heater; and
- \$8,000 for a heat pump for space heating or cooling.

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Rebates for non-appliance upgrades will also be available up to the following amounts:

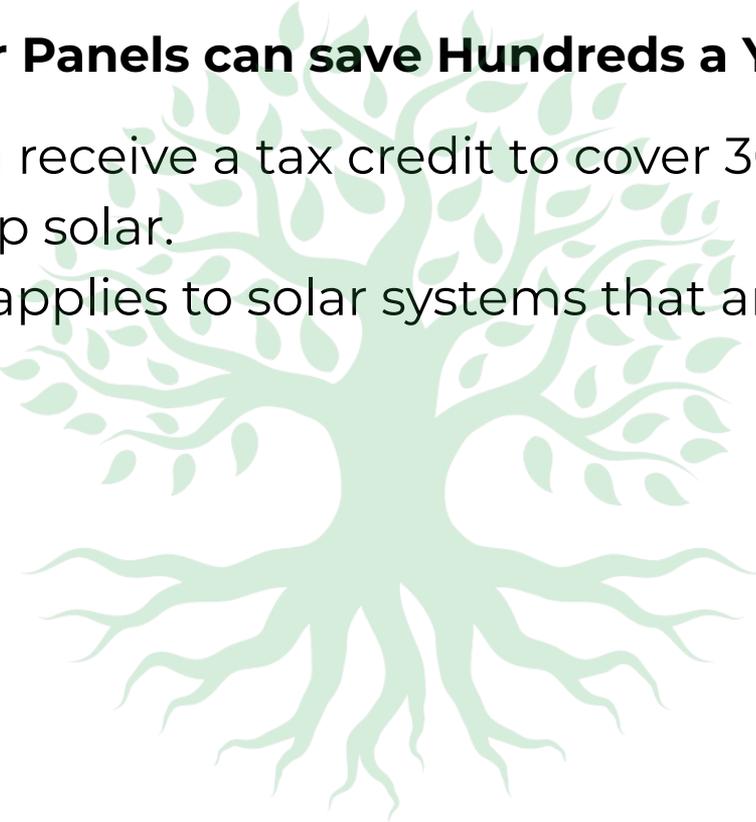
- \$1,600 for insulation, air sealing, and ventilation;
- \$2,500 for electric wiring; and
- \$4,000 for an electric load service center upgrade.



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Home Rooftop Solar Panels can save Hundreds a Year on Energy Bills

- Households can receive a tax credit to cover 30% of the costs of installing rooftop solar.
- This credit also applies to solar systems that are paired with battery storage



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Rebate Limits:

- Can't exceed 50% of cost of a qualified electrification project if family income is between 80% and 150% of the area median income.
- Each qualifying family limited to \$14,000 in total rebates.
- \$4.5 billion allocated for rebates will be distributed to families through state and tribal governments that establish their own qualifying programs.
- Funds available through September 30, 2031.

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Cutting Energy Costs for Small Businesses:

- Small businesses can receive a tax credit covering 30% of switching to low-cost solar power.
- Small business building owners can receive a tax credit up to \$5 per square foot to support energy efficiency improvements that deliver lower utility bills.
- Small businesses that use large vehicles like trucks and vans can get tax credits covering 30% of purchase costs for clean commercial vehicles, like electric and fuel cell models.

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How to prepare?

- Schedule an energy audit of your home, which typically costs about \$400 (\$150 of which can be reimbursed through a rebate).
- Start contacting contractors to line them up for projects when the rebates and tax credit become available.
- Educate yourself about the types of equipment helpful for your own house.

