

Make a Plan To Take Advantage of Energy-Efficiency Tax Credits

Recent federal legislation, the Inflation Reduction Act, provides consumers with tax credits and upcoming rebates that support energy-efficiency and clean energy. If you're considering upgrades, below is a guide to help you take advantage of the tax credits and rebates that fit your household.*

THIS YEAR

Get a home energy audit.

Home energy audits help you understand how much energy your home uses and improvements that can reduce energy use. The energy-efficient home improvement tax credit **helps offset 30% of the cost** for a home energy audit. The credit is capped at \$150. Call your energy utility and ask if they provide audits or can recommend you to a professional.

SOON

Find out if you need a new electric panel or wiring to support heat pumps and electric appliances.

To position yourself to take advantage of tax credits for electric heat pumps and appliances, as well as forthcoming rebates, you'll want to make sure your electric panel is ready. Contact a certified electrician or contractor to see if upgrading to an electric heat pump, appliances, or vehicle will require a new electric panel or wiring. If so, start that process as soon as you can so you're ready for a surprise HVAC replacement if a breakdown happens. The energy-efficient home improvement tax credit **helps offset 30% of electric panel and/or wiring costs, including installation**. The full credit amount you can get for home improvements is capped at \$1,200 each year. The tax credit resets annually, so consider spreading out energy efficiency upgrades over several years to support all investments.

Improve insulation in your home.

A well-insulated home stays warmer in the winter and cooler in the summer. Improving your home's insulation reduces your heating and cooling needs, allowing you to purchase appropriately sized HVAC equipment when the time is right for replacement. **This work falls under the 30% tax credit** for energy efficiency improvements, capped at \$1,200.



OVER SEVERAL YEARS

Replace your windows.

Drafty windows are a common source of energy leaks from a home, particularly older residences. **A 30% tax credit is available for window improvements**. The tax credit for home energy efficiency improvements, which includes electric panel updates, insulation, and efficient doors and windows, is capped at \$1,200 each year. Windows alone are capped at \$600. It's important to remember that these caps reset each year.

Replace exterior doors.

Like windows, doors can also be drafty and energy inefficient. **Like windows, the tax credit available for doors is 30%**. The credit you can get for one exterior door is capped at \$250, and \$500 is the cap for all exterior doors.

WHEN IT BREAKS

Replace your furnace with a heat pump.

The energy-efficient home improvement credit **offers a 30% credit for heat pumps**, capped at \$2,000 annually. Heat pumps can both cool and heat your home. In the summer, they pull heat from the air in your home and move it outside. In the winter, they pull heat from the outdoor air into your home to warm it. Heat pumps work in cold climates and are up to 3x more energy-efficient than conventional air conditioning or heating.

Replace your water heater with a heat pump water heater.

The energy-efficient home improvement credit **offers a 30% credit for heat pump water heaters**. Because the tax credit for heat

pumps and heat pump water heaters is capped at \$2,000 each year, you may want to plan to purchase them in separate years to get the highest possible credit. Heat pump water heaters can be two to three times more energy efficient than conventional water heaters.

Replace your combustion engine vehicle with an electric vehicle (EV).

Two credits can help you save on an electric vehicle. The clean vehicle **credit for new electric vehicles is \$7,500**. For used EVs, the credit is **\$4,000 or 30% of the vehicle**, whichever is smaller. To be eligible, vehicles must be below cost thresholds, and meet assembly and other requirements.

LONGER TERM

Explore getting a renewable energy system to power your home.

The residential clean energy tax **credit amount is 30% of the cost of a qualifying system, including installation**. Not every home is suitable for a renewable energy system, but if your property can support one, the residential clean energy credit can help you pay for it. The tax credit applies to rooftop solar, geothermal heat pumps, battery storage, and more.

COMING SOON, REBATES

Rebates expected to go into effect in late 2023 will help cover heat pumps, electric stoves, wiring, weatherization, and more. How funds will be distributed is yet to be determined. If you can afford to wait to replace appliances until the rebates go into effect, especially if you qualify as low-income, factor that into your plan. **The rebates are expected to cover 100% of the costs for electric home infrastructure for low-income consumers and 50% for moderate-income consumers**.

LEARN MORE

For additional details on how tax credits work or if they are right for you, consult an accountant or other tax professional. To learn more about the Inflation Reduction Act, visit www.CleanEnergy.gov.

*Always check federal guidelines on tax credits. Resource adapted from Yale Climate Connections: "Checklist: How to take advantage of brand-new clean energy tax credits."