Single-Family Homes

The Inflation Reduction Act

The Inflation Reduction Act makes historic investments to improve the energy efficiency and sustainability of single-family homes. That's important: Buildings account for almost 40% of global energy-related carbon pollution, and homes account for about half of that.[1] To help consumers upgrade their homes and encourage builders to build more efficient homes, the IRA includes tax incentives, rebates, grants, loans and other investments. Below is a breakdown of the highlights:

- **Up to $5,000 per home: New Energy Efficient Home Credit**
    - **WHAT:** Tax credit for builders and developers for new, energy-efficient housing, including single-family, manufactured, and multifamily.`
        - **Amounts for developers of single-family and manufactured homes:**
            - $5,000: For homes that are certified under the U.S. Department of Energy's (DOE) Zero Energy Ready Home program guidelines.
            - $2,500: For homes that are certified under ENERGY STAR guidelines.
    - **WHO:** Eligible taxpaying homebuilders and developers.
    - **WHEN:** 2023 through 2032. (The previous version of the credit applies through Dec. 31, 2022).
    - **HOW:** This is a tax credit that qualifying taxpayers receive when filing federal income taxes.
    - **LEED:** Projects that earn Zero Energy Ready Homes or ENERGY STAR certification automatically receive points towards LEED certification.
- **Up to $8,000: Home Owner Managing Energy Savings (HOMES) Rebate Program**
    - **WHAT:** $4.3 billion in direct rebates accessible to all households for whole-home energy efficiency upgrades.
        - **For low- and moderate-income households:**
            - Up to $8,000 (or 80 percent of the project cost): Home retrofits that achieve energy savings of at least 35%.
            - Up to $4,000 (or 50 percent of the project cost): Home retrofits that achieve energy savings of at least 20%.
        - **For all other households:**
            - Up to $4,000 (or 50 percent of the project cost): Home retrofits that achieve energy savings of at least 35%.
            - Up to $2,000 (or 50 percent of the project cost): Home retrofits that achieve energy savings of at least 20%.
            - Program uses modeled energy savings, states may choose to use measured savings.
    - **WHO:** All owners of residential buildings.
    - **WHEN:** Starting in 2023 through September 30, 2031, or when funding runs out, whichever comes first. It could take time for the Department of Energy to stand up the programs and provide further guidance around income eligibility, etc.
    - **HOW:** Rebates will be available at point-of-sale through state programs funded by the U.S. Department of Energy.
- **Up to $3,200: Energy Efficient Home Improvement Credit**
    - **WHAT:** Tax credit equal to 30% of the costs of eligible equipment or materials that improve energy efficiency in homes.
        - **Amounts:** Generally, a taxpayer can take up to $1,200 in credits per year, with a few exceptions for taking an additional $2,000 in credits. This credit can be taken annually, so a taxpayer could receive credits for installing a heat pump one year, insulation the next year, windows the next year, etc. There are additional caps on certain types of improvements. They are:

        - Up to $2,000: Heat pump, heat pump water heaters, biomass stoves
        - Up to $1200: Envelope improvements such as insulation and air sealing.
        - Up to $600: Traditional HVAC equipment such as central AC, water heaters, boilers, furnaces, as well as upgraded breaker boxes, exterior windows and skylights.
        - Up to $500: Exterior doors ($250 per door).
        - Up to $150: Home energy audits.
    - **WHO:** All homeowning taxpayers, and in some cases renters.
    - **WHEN:** Starting in 2023 through the end of 2032. (The predecessor, Nonbusiness Energy Property Credit, which offers much lower incentives, was revived for 2022).
    - **HOW:** This is a tax credit that qualifying taxpayers receive when filing federal income taxes.
- Up to $1,000: **Alternative Fuel Refueling Vehicle Property Credit (e.g., EV ad ZEV charging)**
    - **WHAT:** Tax credit of 30% of the costs, up to $1,000, of purchasing and installing new electric vehicle chargers on residential properties. Starting in 2023, the credit will also apply to "bidirectional" charging equipment.
    - **WHO:** Eligible taxpayers whose homes are in low-income or non-urban Census tracts.
    - **WHEN:** Through 2032.
    - **HOW:** This is a tax credit that eligible/qualifying taxpayers receive when filing their federal income taxes.
    - **LEED:** Aligns with LEED credits for installing EV charging stations, which reduce pollution, and for promoting alternatives to conventionally fueled cars.
- Up to $14,000: **High-Efficiency Electric Home Rebate Program**
    - **WHAT:** $4.5 billion in direct, point-of-sale rebates to qualifying households for purchasing qualifying energy-efficient equipment, up to $14,000 total for all eligible purchases.
        - **Limits:**
            - To be eligible for rebates of 100%, households must be below 80% of their area's median income.
            - To be eligible for rebates of 50%, households must be between 80% and 150% of their area's median income.
        - **Eligible appliances and projects:**
            - Up to $8,000: Heat pump for space heating or cooling.
            - Up to $4,000: Electric load service center upgrade.
            - Up to $2,500: Electric wiring.
            - Up to $1,750: Heat pump water heater.
            - Up to $1,600: Insulation, air sealing, and ventilation.
            - Up to $840: Electric stove, cooktop, range, or oven. Electric heat pump clothes dryer.
    - **WHO:** Qualifying households are low- and middle-income families whose income is less than 150% of their area's median income. (For example, that's $82,353 for a family in Columbus, Ohio, where the median household income is $54,902.)
    - **WHEN:** Starting in 2023 through September 30, 2031, or funding runs out, whichever comes first. It could take time for the Department of Energy to stand up the programs and provide further guidance around income eligibility, etc.
    - **HOW:** Rebates will be available at point-of-sale through state programs funded by the U.S. Department of Energy, and those likely will be starting in 2023. It could take time for the Department of Energy to stand up the programs and provide further guidance around income eligibility, etc.

- **Up to 30% of cost:** Residential Clean Energy Credit
    - **WHAT:** Tax credit of 30% of the cost of residential solar, wind, geothermal, and biomass fuel projects started between 2022 and 2032. (Starting in 2023, storage batteries will also be eligible if their capacity is at least 3 kilowatt-hours.)
    - **WHO:** Homeowning taxpayers.
    - **WHEN:** Through 2034. Phasedown begins in 2033. For eligible projects starting in 2033, the credit is 26%, and in 2034 it's 22%.
    - **HOW:** This is a tax credit, which qualifying taxpayers receive when filing federal income taxes.

Note: The law prohibits households from using both grant programs, and it also prohibits homeowners from combining either of the rebate programs with other federal grants or loan programs. However, the tax incentives can be used alongside rebates. For example, an eligible person purchasing a heat pump could get a $8,000 rebate and $2,000 tax credit. However, they could not use both the whole home and electrification rebates.

1 The Economist, "The construction industry remains horribly climate-unfriendly," June 15, 2022.