

Federal Income Tax Credits and Incentives for Energy Efficiency*

The Inflation Reduction Act of 2022 provides federal tax credits and deductions that empower Americans to make homes and buildings more energy-efficient to help reduce energy costs while reducing demand as we transition to cleaner energy sources.

Savings for Homeowners

New federal income tax credits are available through 2032 providing up to \$3,200 annually to lower the cost of energy efficient home upgrades by up to 30 percent. Improvements such as installing heat pumps, heat pump water heaters, insulation, doors and windows, as well as electrical panel upgrades, home energy audits and more, are covered by the tax credits and can help families save money on their monthly energy bills for years to come. In addition to the energy efficiency credits, homeowners can also take advantage of the modified and extended Residential Clean Energy credit, which provides a 30 percent income tax credit for clean energy equipment, such as rooftop solar, wind energy, geothermal heat pumps and battery storage through 2032, stepping down to 22 percent for 2033 and 2034.

Savings for Home Builders

The Inflation Reduction Act of 2022 updates and extends the Section 45L Tax Credit for Energy Efficient New Homes. For homes and units acquired on or after January 1, 2023, the base level tax credit for home builders is specifically tied to ENERGY STAR certification for single-family, manufactured, and multifamily homes. This tax credit has been extended through 2032.

Savings for Commercial Building Owners

The Inflation Reduction Act of 2022 extends and expands the energy efficient commercial buildings deduction that was made permanent under Section 179D in 2021. Buildings that increase their energy efficiency by at least 25 percent will be able to claim this deduction, with bonuses for higher efficiency improvements.

* https://www.energystar.gov/about/federal_tax_credits