

Major Tax Benefits of Inflation Reduction Act

Home Energy Efficiency

The IRA creates a wide range of new and expanded incentives to help households make energy-saving improvements to their home. Energy-efficient investments can help families conserve energy and drastically reduce their utility bills, while also improving health and comfort. New technologies such as energy-efficient electric heat pumps and heat pump water heaters have the potential to save the average households as much as \$6,500 in operating cost savings over the lifetime of the equipment, or \$650 annually on their utility bills, while reducing exposure to volatile fossil fuel prices.

- A new state program for low- and moderate-income households will provide instant rebates for new, efficient electric equipment, that in some cases will be enough to pay for the entire cost of the new equipment:
 - up to \$8,000 for a heat pump for heating and air conditioning,
 - \$1,750 for an efficient heat pump water, and
 - \$1,600 for improved insulation to prevent energy waste.
- A new state program for whole-home energy efficiency retrofit projects will provide rebates of up to \$4,000 for retrofits that will save 35% of energy use or more, and \$2,000 for retrofits that achieve savings of 20% or more. These rebates double for low- and moderate-income homes.
- IRA also creates incentives for a range of new energy-efficient appliances and other energy improvements. These credits will take effect immediately, meaning households can claim the credit for purchases they make today. Households can also claim these credits multiple times, for instance if they buy new windows for the living room this year and for the dining room next year.
- Up to \$2,000 for efficient heating, cooling, and water heating equipment, such as a heat pump.
- Up to \$1,200 for measures that reduce home energy waste, like efficient windows, doors, and insulation.
- A \$150 credit to help pay for an energy audit, allowing a local professional to produce tailored recommendations for how you can lower your energy costs with efficiency improvements.

Home Energy Equipment

IRA provides a 30% tax credit for families investing in clean energy systems like solar electricity, solar water heating, wind, geothermal heat pumps, fuel cells, and battery storage for their homes. This can result in valuable savings. For instance, the credit for residential solar electricity will be worth roughly \$7,500 for the average household. Considering the upfront cost and average expected savings on electric bills from rooftop solar, the average household can save more than \$9,000 over the lifetime of the system, or nearly \$400 annually.

Clean Vehicles

The IRA provides multiple incentives for the purchase of new clean vehicles like electric vehicles (EVs) and fuel cell vehicles, and for supporting equipment. The IRA also marks the first time consumers have been offered an incentive for pre-owned clean vehicles, allowing more consumers to realize the major benefits of switching to clean vehicles. For instance, a consumer switching to an EV can save approximately \$11,000 in fuel costs over the lifetime of the vehicle, more than \$700 per year.

- For the purchase of a new clean vehicle, consumers can receive a tax credit of up to \$7,500,
- For the purchase of a used clean vehicle, consumers can receive a tax credit of up to \$4,000, and
- Households can save up to \$1,000 towards the costs of a charger in their homes.