

IRA TAX CREDITS FOR HOUSEHOLDS

Thanks to the Inflation Reduction Act, 30% of the cost of the following items can be deducted from your federal tax bill, subject to the limitations listed below. These tax credits apply to purchases made in 2023 through 2032.

PRODUCT	FEDERAL TAX CREDIT
CREDITS WITH NO CAP:	
HOME CLEAN ELECTRICITY PRODUCTS:	
Solar panels	30% of cost. NO CAP.
Fuel cells	30% of cost. NO CAP.
Wind Turbine	30% of cost. NO CAP.
Battery Storage (capacity of at least 3kWh)	30% of cost. NO CAP.
HEATING, COOLING, AND WATER HEATING:	
Geothermal heat pumps	30% of cost. NO CAP
Solar (water heating)	30% of cost. NO CAP
CREDITS WHICH ARE SUBJECT TO \$2,000 CAP PER YEAR: (For the items below in GREEN, the combined credit cannot exceed \$2,000 per year)	
Heat Pumps	30% of cost, up to a combined maximum of \$2,000 per year.
Heat Pump water heaters	30% of cost, up to a combined maximum of \$2,000 per year.
Biomass Stoves	30% of cost, up to a combined maximum of \$2,000 per year.
CREDITS WHICH ARE SUBJECT TO A \$1,200 CAP PER YEAR: (*For the items below in BLUE, the combined credit cannot exceed \$1,200 per year.)	
Efficient air conditioners	30% of cost, up to \$600.*
Efficient heating equipment	30% of cost, up to \$600.*
Efficient water heating equipment	30% of cost, up to \$600.*
OTHER ENERGY EFFICIENCY UPGRADES:	
Electric panel or circuit upgrades for new electric equipment (load capacity must be 200 amps or greater)	30% of cost, up to \$600.*
Insulation Materials	30% of cost.*
Windows, including skylights	30% of cost, up to \$600.*
Exterior Doors	30% of cost, up to \$250 each, with a maximum of \$500.*
Home Energy Audits	30% of cost, up to \$150.*
OTHER CREDITS: (limited to non-high income households)	
EV Tax Credits**	Up to \$7,500 (new); Up to \$4,000 (used)
Home Electric Vehicle Charger	30% of cost, up to \$1,000. IRS to publish details. Intended for residents in non-urban or low-income communities (pending further guidance from the IRS).

Table 1: Household IRA Tax Credits¹

Based on: <https://www.energy.gov/policy/articles/making-our-homes-more-efficient-clean-energy-tax-credits-consumers> The webpage includes details how to claim the credit. (Keep your receipts and use IRS Form 5695) Make sure that your household will owe enough federal income tax to cover the amount of the credit you plan to claim. Also note that the products you purchase must meet the tax credit's relevant efficiency and/or product standards. Some of those requirements are listed in the FAQ at the bottom of the webpage listed above. The instructions for Form 5695 also contain some of this information. Note that you can claim the same (or varying) credits year after year if you purchase new products. If you have questions as to which products are eligible, "ask a trusted contractor, plumber, or electrician."

**See Vehicle Credits under: <https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022>
See also: <https://www.irs.gov/credits-deductions/home-energy-tax-credits>

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How do these tax credits work? Say you owed \$4,000 in federal income tax. If you claimed \$3,200 in tax credits, your tax bill would be reduced to \$800. With tax credits, of course, you don't get your money back until the following year, when you file your taxes.

Starting later this year, or sometime in 2024, point of sale rebates will also become available for many of these items. (For example: Rebates up to \$8,000 for a heat pump, \$4,000 to upgrade an electrical panel, \$1,600 for weatherization, \$840 for a heat pump clothes dryer, \$840 for an electric stove.)ⁱⁱ

You may be able to claim both the rebate AND a federal tax credit. Note, however, that the size of the rebate typically depends on your household income.

Nonetheless, note that the IRA only includes \$8.8 billion for home electrification rebates, so unlike the tax credits, the funding for the rebates could run out during the first year of the program.ⁱⁱⁱ

TIP: Get an energy audit and plan what you are going to do! The details are currently being worked out between the states and the federal government.

