



Inflation Reduction Act— Individual Credits

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Energy Efficient Home Improvement Credit

The Inflation Reduction Act renamed the Nonbusiness Energy Property Credit as the Energy Efficient Home Improvement Credit and extended the credit through the end of the 2032 tax year.

The credit is equal to 30% of the sum of the amount paid or incurred by you during the year for:

- Installed qualified energy efficiency improvements,
- Residential energy property expenditures, and
- Home energy audits.

Lifetime limitations. The following annual limitations apply.

- 1) The combined credit for all energy efficient home improvements is limited to \$1,200 per year, except for (5) below.
- 2) The credit for residential energy property expenditures is limited to \$600 per year.
- 3) The credit for windows is limited to \$600 in the aggregate for all exterior windows and skylights.
- 4) The credit for doors is limited to \$250 per year for any exterior door, and \$500 in the aggregate for all exterior doors.
- 5) Notwithstanding (1) and (2) above, the credit allowed for heat pumps and heat pump water heaters, biomass stoves and boilers is limited to \$2,000 per year.
- 6) The credit for energy audits is limited to \$150 per year.

Qualified energy efficiency improvements. Qualified energy efficiency improvements include energy efficient insulation, exterior windows, skylights, and exterior doors that meet various energy standard requirements. Roofs have been removed from the definition of building envelope components, but air sealing insulation which reduces heat loss or heat gain of a dwelling unit has been added.

Residential energy property expenditures. Residential energy property expenditures include any of the following that meet or exceed certain high efficiency standards made to any dwelling unit used by you as a residence. The home must be located in the United States. Expenditures include the cost for labor for onsite preparation, assembly, and installation.

- Electric or natural gas heat pump water heater,
- Electric or natural gas heat pump,
- Central air conditioner,
- Natural gas, propane, or oil water heater,
- Natural gas, propane, or oil furnace or hot water boiler,
- Biomass stove or boiler which uses the burning of biomass fuel to heat a dwelling unit or to heat water for a dwelling unit,
- Oil furnace or hot water boiler, and
- Improvements to, or replacement of a panel-board, sub-panel-board, branch circuits, or feeders with a load capacity of not less than 200 amps which is installed in conjunction with an energy efficiency improvement or qualified energy property.

Home energy audit. A home energy audit means an inspection and written report with respect to a dwelling unit used by you as your principal residence that identifies the most significant and cost-effective energy efficiency improvements, including an estimate of the energy and cost savings with respect to each improvement. The home energy auditor must meet certain certification requirements as established by the IRS.