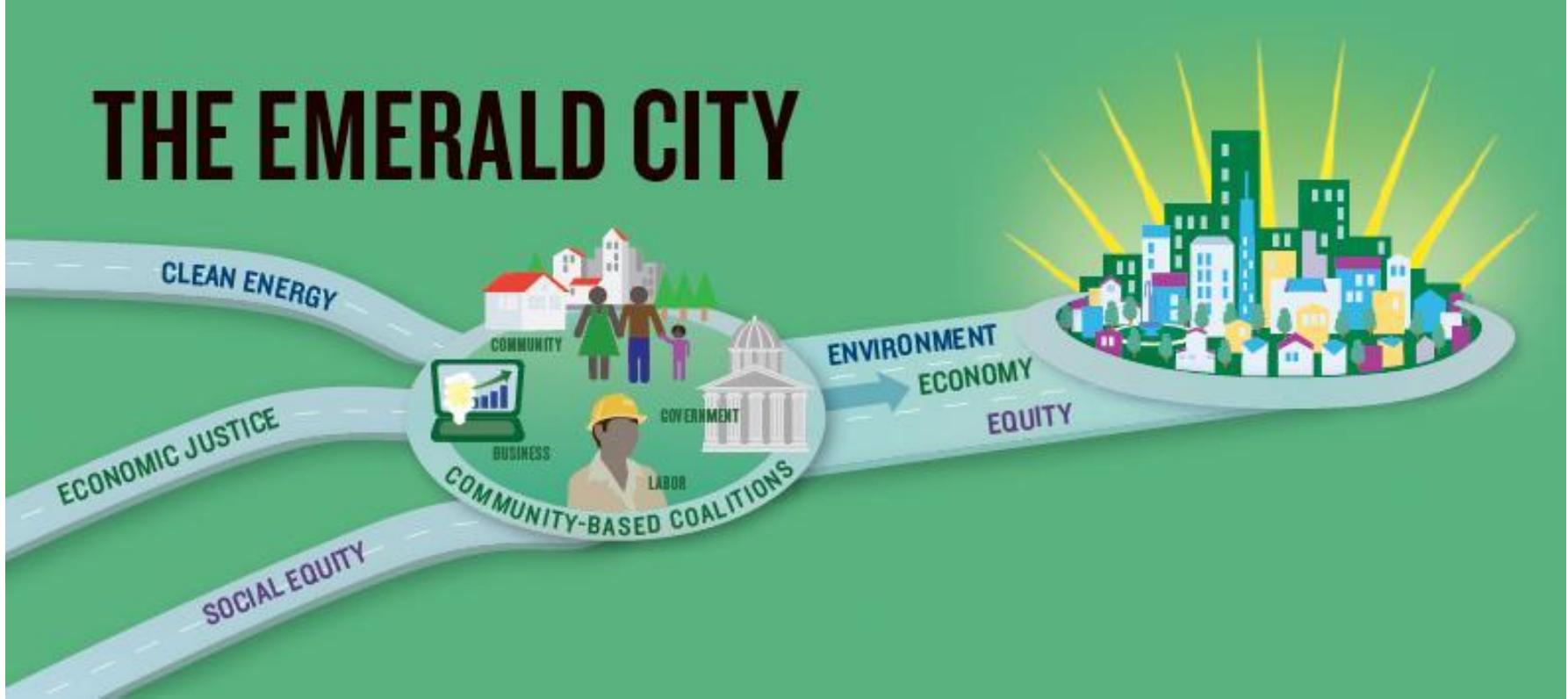

IRA for Contractors

Emerald Cities Collaborative
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November 3, 2022



THE EMERALD CITY



Agenda

- What is the IRA & how can it be useful for contractors?
- What are the mechanisms of resources and funding in the IRA?
- Program highlights: HEEHR, HOMES, 25C & 25D
- Other notable programs & funding in the IRA
- Resources



Inflation Reduction Act

- Signed into law August 16, 2020, the IRA makes **substantial climate and energy investments and incentives**, including opportunities to support residential home retrofits.
- IRA incentivizes **increased demand** for installations of heat pumps, home insulation, solar, electric appliances and other home energy improvements.
- If implemented well, the IRA can be operationalized to be a **resource for home retrofits** that can lead to long term savings for your customers and a healthier planet.



Funding & Resource Mechanisms

- Rebates & Up-front discounts
- Tax Credits
- Grants
- Loans

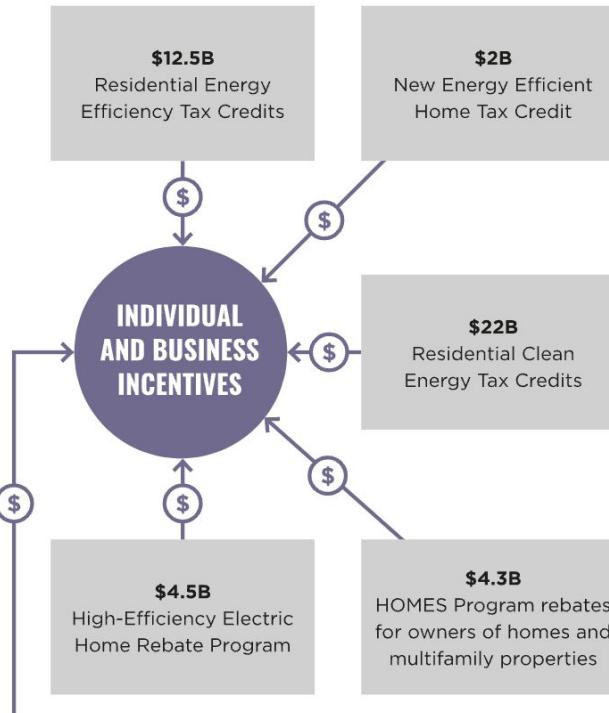


Image from
Climate Action
and the IRA: A
Guide for Local
Government
Leaders



High-Efficiency Electric Home Rebate (HEEHR)

States will administer rebate program for low- and moderate- income households in single- and multi-family housing to reduce electricity use through appliance and non-appliance (e.g. insulation, wiring) upgrades.

Overall Funding: \$4.5 billion

Flow of Funding: State energy offices (SEOs) will apply to the DOE for formula funding to carry out rebate program. While the funding is available in 2022, implementation will take time. We expect an RFI in 2023 to help shape the federal guidance.

Eligible Entities: Low- and moderate- income homeowners and multifamily properties with at least 50% affordable units. There is also a chance renters can qualify for portable electric appliances. Contractors who carry out the upgrades can receive the rebates and pass forward the value of the rebate to the consumer.

Rebate amounts & opportunities:

- Upfront discounts up to \$14,000 for home electrification (cap defined by income)
- Rebates will be provided for heat pumps, heat pump water heaters, electric stoves and ovens, and heat pump clothes dryers as well as for necessary upgrades to electric panels, wiring and insulation & air sealing.



HEEHA Rebate Levels

For Qualified Electrification Projects

Income Eligibility and % Costs Covered

Low-income: <80% Area Median Income (AMI)

% costs covered (including installation)

100%

Moderate-income: 80-150% AMI

% costs covered (including installation)

50%

Overall Incentives

Max consumer rebate

\$14,000

Max contractor rebate

\$500

Rebates for Qualified Electrification Projects

Heat pump HVAC

\$8,000

Heat pump water heater

\$1,750

Electric stove/cooktop

\$840

Heat pump clothes dryer

\$840

Breaker box

\$4,000

Electric wiring

\$2,500

Weatherization
insulation, air sealing, ventilation

\$1,600

Photo from Rewiring
America's Policy Hub



Home Energy Performance-based Whole-House Rebates (HOMES)

The HOMES rebate program is for homeowners, multifamily building owners, and contractors who reduce energy use through whole-house energy savings retrofits.

Overall Funding: \$4.3 Billion

Flow & Timing of Funding: DOE will allocate funding to state energy offices (SEOs) as formula funding after the DOE approves SEOs HOMES implementation plans by Aug 2024. SEOs will then implement the rebate program and have the discretion to increase rebate amount for low income households.

Eligible Entities: SEOs will receive the federal funding and then make it available to individuals who own homes or multifamily buildings and contractors who do energy retrofits.

Types of rebates: Modelled Savings and Measured Savings

Max Rebate for Low-income (< 80% Area Median Income):

Energy savings between 20-34% - \$4,000
Energy savings 35% of more - \$8,000

Max Rebate for all other incomes:

Energy savings between 20-34% - \$2,000
Energy savings 35% of more - \$4,000

Contractors: \$200 for performing retrofits in homes located in disadvantaged communities as defined by DOE



HEEHR and HOMES programming cannot be stacked/combined for the same upgrade (i.e. the same heat pump).

However, you can use them for separate improvements - i.e. HEEHR for one appliance, such as a heat pump and HOMES for another upgrade measure such as insulation.



Energy Efficiency Home Improvement Tax Credit (25C)

Homeowners and soon renters can take advantage of a 30% tax credit for certain energy efficiency improvements to their homes and appliances.

Overall Funding: uncapped (estimated \$12.5 billion over 10 years)

Flow and Timing of Funding: This is a consumer tax credit that is claimed after installation of the qualified energy efficiency improvements. This is an existing tax credit program with IRA additions coming into effect Jan 1, 2023.

Eligible Entities: Individuals who install energy upgrades in their primary residence

Eligible Improvements:

- Installations of certain high-efficiency heating, cooling, and water heating appliances and energy-efficient windows or doors
- Labor costs can be included for onsite preparation, assembly or original installation

IRA changes:

- Extends tax credit through FY2031 and increases tax credit value from 10% to 30% of installed cost with an annual cap of \$1,200 plus up to \$2,000 incentive for heat pumps and biomass stoves and boilers for which renters also qualify, for a total of \$3,200 annual tax credit.
- Makes home energy audits eligible for 30% credit up to \$150 for which renters also qualify.



Clean Energy Tax Credit (25D)

30% tax credit for residential renewable energy installations, including rooftop solar, battery storage, geothermal heat pumps and some community solar ownership models.

Overall Funding: uncapped
(estimated \$22 billion over 10 years)

Flow and Timing of Funding: This is a consumer tax credit that is claimed after complete installation of the qualified energy efficiency improvements. This is an existing tax credit program with IRA provisions effective immediately except the addition of battery storage, which begins in 2023.

Eligible Entities: Individuals

Eligible Improvements:

- Installations of qualified solar electric, solar water heating, fuel cells, small wind, and geothermal heat pump property expenditures.
- Labor costs can be included for onsite preparation, assembly or original installation
- Unused tax credit can be carried forward to following taxable year.

IRA changes:

- Extends tax credit through FY2033 and increases tax credit value from 26% to 30% of installed cost
- Added new credit for battery storage technology, This comes into effect in 2023 and is available renters.
- Removes biomass fuel property expenditures from list of allowable credits.



Both 25C and 25D tax credits are **nonrefundable**.

This means the taxpayer will not receive a tax refund for any amount that exceeds the taxpayer's tax liability for the year(s) (i.e. what they owe in taxes). 25D however does have carryover ability for unused tax credits.

Example: My 96-year-old Nanaji (maternal grandfather), who lives solely off of social security and therefore does not file a tax return, cannot receive the benefit of these tax credits.



Other IRA programs to be aware of:

DOE's State-Based Home Energy Efficiency Contractor Training Grants

Purpose: Funding to assist states in developing and implementing contractor training and education programs for home energy efficiency and electrification improvements.

Overall funding; \$200M available through FY2031. Eligible uses of this funding include partnering with nonprofits to develop and implement a state contractor training and education program. Timing of implementation is currently unclear.

HUD's Green and Resilient Retrofit Program

Purpose: Competitive grants and direct loans to affordable housing properties to improve energy or water efficiency, indoor air quality, address climate resilience, or install low/zero emission energy technologies, including energy storage.

Overall funding; \$1 billion and up to \$4 billion in loans over 6 years. \$43 million to fund energy and water performance assessments. Process of distribution and implementation to be determined by HUD.

EPA's Greenhouse Gas Reduction Fund

Purpose: Competitive grants to establish or expand financial institutions that support GHG-reduction and zero-emission projects, with a majority of funds devoted to benefitting low-income and disadvantaged communities. Recipients will provide grants, loans, and other financial or technical assistance to close \$ gaps.

Overall funding: \$27 billion in grants and loans over two years, estimated to become available Spring 2023. Eligible applicants include state and local governments as well as non-profit financial institutions.



Final regulation and guidance
for both new and existing
programs are **still in the works.**

For tax credits, expected to be
finalized by Jan 1, 2023.



Resources

Rewiring America's IRA Savings Calculator - <https://www.rewiringamerica.org/app/ira-calculator>
(coming soon in Spanish!)

Blue Green Alliance's A User's Guide to the IRA -
<https://www.bluegreenalliance.org/wp-content/uploads/2022/10/BGA-IRA-User-GuideFINAL-1.pdf>

Just Solutions Collective's IRA Analysis -
<https://www.justsolutionscollective.org/blog-posts/ira-analysis-overview>

Climate Mayor's and C40 Cities' IRA Guide for Local Government Leaders:
https://www.c40knowledgehub.org/s/article/Climate-action-and-the-Inflation-Reduction-Act-A-guide-for-local-government-leaders?language=en_US



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