



2023 and Beyond: NEW AND IMPROVED ENERGY TAX CREDITS FOR HOMEOWNERS

Energy Efficient Home Improvement Credit:

Beginning in 2023, lifetime caps are gone. Instead, there is a \$1,200 overall annual cap on the new credit, along with annual caps for certain types of improvements. This means you can perform energy efficiency projects over several years and collect the credit each year. The credit is non-refundable and lasts through 2032.

The new 2023 tax credit is equal to **30%** of what you spend for:

1. Qualified energy efficient improvements (which must be expected to last 5 years):

EXAMPLES include (1) exterior windows (including skylights) which must meet Energy Star's most efficient certification requirements (\$600 per year cap), (2) doors which must meet applicable Energy Star requirements (\$250 for a single exterior door and \$500 for all exterior doors per year cap) and (3) insulation which must meet criteria established by the International Energy Conservation Code standard in effect as of the beginning of the calendar year which is 2 years prior to the calendar year in which such component is placed in service.

- a. **PER ENERGY STAR: Follow these 3 steps** to determine if the windows and/or skylights you purchased are eligible:

1. Use the [ENERGY STAR Climate Zone Finder](#) to determine your climate zone.
2. Identify the Certified Product Directory (CPD) number of the product(s) you purchased.
3. Search for your CPD number(s) in the NFRC Certified Product Directory: https://search.nfrc.org/search/search_cpdnum.aspx

In the results from the NFRC CPD search, if the field for your Climate Zone is **shaded green**, the product is eligible for the tax credit. If the field is not shaded green, the product is not eligible for the tax credit.

- b. PER ENERGY STAR: Follow these 3 steps to determine if the door(s) you purchased are eligible:

1. Using the [ENERGY STAR Climate Zone Finder](#), determine your climate zone.
2. Identify the Certified Product Directory (CPD) number of the product(s) you purchased.
3. Search for your CPD number(s) in the NFRC Certified Product Directory: https://search.nfrc.org/search/search_cpdnum.aspx

In the results from the NFRC CPD search, if the field for your Climate Zone has a **check mark**, the product is ENERGY STAR certified for where you live and is eligible for the tax credit. If there

is no check mark, the product is not eligible for the tax credit.

- c. PER ENERGY STAR: Typical bulk insulation products can qualify, such as batts, rolls, blow-in fibers, rigid boards, expanding spray, and pour-in-place.

Products that air seal (reduce air leaks) can also qualify, as long as they come with a Manufacturers Certification Statement, including:

- i. Weather stripping
- ii. Spray foam in a can, designed to air seal
- iii. Caulk designed to air seal
- iv. House wrap

2. **Residential energy property (\$600 annual cap), (EXCEPT heat pumps, biomass stoves and boilers have a \$2,000 annual cap which is not included in the \$1200):** These are the

costs, including labor, of installing new energy efficient components that heat and/or cool the air inside a home, or heat water in your home. You must use the home as your residence, but it need not be your principal residence—for example, it can be a vacation home.

These include the following:

- a. **Heat pumps (electric or natural gas);** electric or natural gas heat pump water heater;

natural gas, propane or oil water heater; central air conditioners; natural gas, propane or oil furnaces or hot water boilers; all must meet the highest efficiency tier (not including advanced tiers) established by the Consortium for Energy Efficiency which is in effect as of the beginning of the calendar year in which the property is placed in service.

PER ENERGY STAR: For GAS storage water heaters ENERGY STAR certified models are eligible as follows: ≥ 0.81 UEF for tanks less than 55 gallons and ≥ 0.86 UEF for tanks greater than or equal to 55 gallons. PER ENERGY STAR - For tankless gas water heaters ENERGY STAR models with ≥ 0.95 UEF are eligible.

- b. **Biomass stoves and boilers** with a thermal efficiency rating of at least 75 percent (measured by the higher heating value of the fuel).
- c. Oil furnaces and hot water boilers installed from 2023 through 2026 that use certain fuel blends (that meets or exceeds 2021 Energy

Star efficiency criteria and is rated by the manufacturer for use with fuel blends at least 20 percent of the volume of which consists of an eligible fuel, or is placed in service after 12-31-2026 and (a) achieves an annual fuel utilization efficiency rate of not less than 90 and (b) is rated by the manufacturer for use with fuel blends at least 50% of the volume of which consists of an eligible fuel.

- d. The cost of upgrading a home electric panel or branch circuits to at least 200 amps if necessary to install qualified energy efficiency improvements or other residential energy property.

- 3. **Home Energy Audits-** The energy audit qualifies for the credit. This is an inspection by a home energy auditor certified by the Treasury Department who will identify the most significant and cost-effective energy efficient improvements you can make and provide a written report **(\$150 per year cap)**. Documentation required.

*****Starting in 2025 (for tax returns filed in 2026), manufacturers will have to create product identification numbers for their products that satisfy the requirements of the Energy Efficient Home Improvement Credit. Taxpayers will have to include the number on their tax returns.

Residential Clean Energy Credit (Solar, Etc.)

For over a decade, the Residential Energy Efficient Property Credit has been available to help homeowners defray the cost of going solar. The Inflation Reduction Act renames and expands this credit. Now called the Residential Clean Energy Credit, it has increased in amount and has been extended through 2034. The credit goes from 26 percent to 30 percent for eligible property placed in service in any year from 2022 through 2032. The credit then declines to 26 percent for 2033 and 22 percent for 2034. [Unlike the Energy Efficient Home Improvement Credit, the Residential Clean Energy Credit has no annual or lifetime caps.](#) (But there is an annual cap for fuel cells based on their capacity.) The credit is non-refundable, but any unused amount can be carried forward to reduce your tax liability in future years. You can use this credit for your main home or second home (except for fuel cells). But a

taxpayer may not claim the credit for energy improvements made to an investment property, such as rental property, unless it is also used as a residence by the taxpayer. This credit is used primarily for residential solar panels, but it can also be applied to the cost of purchasing and installing:

- solar water heaters,
- geothermal heat pumps,
- small residential wind turbines,
- residential fuel cells, and
- storage batteries.

Home Electric Vehicle Charger Credit

The Inflation Reduction Act extends through 2032 the tax credit for installing a home electric vehicle charger. The amount of credit remains the same: a non-refundable credit equal to 30 percent of the cost of a home charger, capped at \$1,000. The credit now applies per charger—for example, if you purchase two home chargers, you can obtain a \$2,000 credit. The credit is also extended to include bidirectional chargers that can be used to power a home and feed energy back into the electricity grid. These are just becoming available and cost

more than regular electric vehicle chargers. The credit also now applies to home chargers for two- and three-wheeled vehicles.

But the electric vehicle charger credit is subject to a new geographic requirement that will greatly limit its availability. Starting in 2023, it will be available only for homeowners who live in low-income or rural areas.

- **Low-income census tract:** The homeowner must live in a low-income census tract that has a poverty rate of at least 20 percent or a median family income that is less than 80 percent of the statewide median.
- **Rural area:** Alternatively, the homeowner must live in a non-urban area. This is an area not designated as an urban area by the U.S. Commerce Department in the most recent census. Less than 20 percent of the U.S. population lives in such rural areas.