

Guide to Accessing the Inflation Reduction Act

Thanks to the recently enacted Inflation Reduction Act, families are eligible for hundreds of dollars a year in energy savings. The Inflation Reduction Act also includes direct savings for households to make crucial, cost-saving energy efficiency improvements to their home.

To get the most out of these savings, households and businesses can take advantage of various tax credits and rebates to help make their homes and businesses more efficient, power their homes with clean energy, and lower the cost of purchasing electric and hybrid cars.

The Inflation Reduction Act makes household savings available to you, including:

- Up to 30% (maximum of \$1,200 per year) in tax credits for energy-efficient home improvements, including heat pumps;
- Up to 30% in tax credits for rooftop solar, batteries, geothermal heat pumps
- Up to \$7,500 in tax credits for new clean vehicles, and up to \$4,000 for used clean vehicles, depending on taxpayer income and other factors.
- Rebates for residential efficiency retrofits and electrification projects, including heat pumps, cooktops, and other appliances, along with the needed electrical upgrades depending on income.

Rebates vs. Tax Credits

A **rebate** is money provided to help you reduce the cost of something. Rebates can be applied at the time of purchase, reducing the sales prices, or are sometimes provided after your purchase when you submit proof of purchase. Efficiency Maine processes rebates in Maine for residents and businesses.

A **tax credit** is an amount of money that reduces the dollar amount of taxes owed. Refundable tax credits provide a refund of the amount of the credit that still exists after reducing taxes owed to zero. Nonrefundable tax credits allow for no such refund.

Table of Contents

Tax Credit Programs Summary.....	3
Tax Credits for Homeowners/Residential.....	5
I. Rooftop Solar, Geothermal and Battery Storage.....	5
II. Heating Ventilation Systems and Water Heaters.....	5
III. Windows, Doors, Insulation.....	6
IV. Vehicles.....	6
Businesses Tax Credits.....	8
I. Electric Vehicles - The IRS is finalizing the form to claim this credit.....	8
II. Energy Efficiency.....	8
III. Rooftop Solar.....	8
IV. Alternative Fuels.....	9
Rebate Programs.....	10
I. Efficiency Maine - Rebates for Residential Energy Efficiency Improvements..	10
FAQ.....	11

Tax Credit Programs Summary

	What is Eligible?	Maximum Credit Per Year
Windows, Doors, and Insulation		
Windows	Energy Star Most Efficient	\$600 across all windows
Doors	Energy Star	\$250 per door, \$500 across all doors
Insulation	Most recent International Energy Conservation Code, as of two years prior	No property-specific limit
HVAC Systems and Water Heaters		
Heat pump water heaters	CEE highest tier below Advanced Tier	\$2,000 total across heat pump water heaters, heat pumps, and biomass stoves. **\$1,200 annual limit does not apply
Heat pumps	CEE highest tier below Advanced Tier	
Biomass stoves or hot water boilers	Thermal efficiency rating of at least 75 percent	
Central air conditioners	CEE highest tier below Advanced Tier	\$600 per AC unit
Natural gas, propane, oil water heaters	CEE highest tier below Advanced Tier	\$600 per water heater
Natural gas, propane, or oil furnaces or hot water boilers	CEE highest tier below Advanced Tier Oil furnaces and hot water boilers also qualify if: <ul style="list-style-type: none"> • <i>During 2023-2026</i>; meet Energy Star and are rated by the manufacturer for use with at least 20 percent biofuel blends. • <i>During 2027-2032</i>, meet at least Annualized Fuel Utilization Efficiency (AFUE) of 90 and are rated by the manufacturer for use with at least 50 percent biofuel blends. 	\$600 per furnace/boiler
Other		
Electric panel (panel, sub panel, branch circuit or feeders)	At least 200 amps and is installed in connection with and enable the installation/use of any other types of property described above	\$600 per property, uncapped if in conjunction with rooftop solar

Home energy audits	Must be conducted by a certified home energy auditor (guidance to come from IRS)	\$150 total
Vehicles		
Electric or plug-in hybrid vehicles	Depending on date of purchase, date of manufacturing and vehicle manufacturer and other requirements related to manufacturing.	Varies

Tax Credits for Homeowners/Residential

- TAX CREDITS FOR RESIDENTIAL ENERGY EFFICIENCY IMPROVEMENTS -

As a result of the Inflation Reduction Act, homeowners will have access to expanded tax credits for energy efficiency improvements, including certain onsite installation costs. Starting in 2023, homeowners can receive up to 30% back through tax credits for making energy efficiency improvements to their homes – up to \$1,200 per year. Learn more about what is eligible and additional limits below:

I. Rooftop Solar, Geothermal and Battery Storage

- **What is eligible?** IRA Tax Credit 25D,
 - 30% of all costs for rooftop solar, or investment in community solar;
 - 30% of all costs for geothermal heating
 - 30% of all costs for battery storage
- **The maximum credit for the property per year:** There is no cap

II. Heating Ventilation Systems and Water Heaters

- **Heat pump water heaters**
 - **What is eligible?** IRA Tax Credit 25D, CCEE highest tier below Advanced Tier - <https://www.ahrinet.org/certification/cee-directory>
 - **The maximum credit for the property per year:** \$2,000 total across heat pump water heaters, heat pumps, and biomass stoves. \$1,200 annual limit does not apply
- **Heat pumps**
 - **What is eligible?** IRA Tax Credit 25C, CEE highest tier below Advanced Tier - <https://www.ahrinet.org/certification/cee-directory>
 - **The maximum credit for the property per year:** \$2,000 total across heat pump water heaters, heat pumps, and biomass stoves. \$1,200 annual limit does not apply
- **Biomass stoves or hot water boilers**
 - **What is eligible?** Thermal efficiency rating of at least 75 percent
 - **The maximum credit for the property per year:** \$2,000 total across heat pump water heaters, heat pumps, and biomass stoves. \$1,200 annual limit does not apply
- **Central air conditioners**
 - **What is eligible?** CEE highest tier below Advanced Tier - <https://www.ahrinet.org/certification/cee-directory>
 - **The maximum credit for the property per year:** \$600 per AC unit
- **Natural gas, propane, or oil water heater**
 - **What is eligible?** CEE highest tier below Advanced Tier - <https://www.ahrinet.org/certification/cee-directory>
 - **The maximum credit for the property per year:** \$600 per water heater
- **Natural gas, propane, or oil furnaces or hot water boilers**

- **What is eligible?** CCEE highest tier below Advanced Tier - <https://www.ahrinet.org/certification/cee-directory> - Oil furnaces and hot water boilers can also qualify if they
 - During 2023-2026: Meet 2021 Energy Star and are rated by the manufacturer for use with at least 20 percent biofuel blends
 - During 2027-2032: Meet at least Annualized Fuel Utilization Efficiency (AFUE) of 90 and are rated by the manufacturer for use with at least 50 percent biofuel blends
- **The maximum credit for the property per year:** \$600 per furnace/boiler

III. Windows, Doors, Insulation

- **Windows**
 - **What is eligible?** IRA tax credit 25C Energy Star Most Efficient
 - **Maximum credit for the property per year:** \$600 across all windows
- **Doors**
 - **What is eligible?** IRA tax credit 25C Energy Star
 - **Maximum credit for the property per year:** \$250 per door, \$500 across all doors
- **Insulation**
 - **What is eligible?** IRA tax credit 25C: Most recent International Energy Conservation Code as of two years prior
 - **Maximum credit for the property per year:** No property-specific limit
- **Other**
 - **Electric panel** (panelboard, sub-panelboard, branch circuit, or feeders)
 - **What is eligible?** IRA tax credits 25C and 25D A load capacity of at least 200 amps and are installed in connection with and enable the installation/use of any other property types described above
 - **Maximum credit for the property per year:** 30% tax credit; \$600 per property. 30% tax credit uncapped, in conjunction with rooftop solar.
 - **Home energy audits**
 - **What is eligible?** Must be conducted by a certified home energy auditor (guidance to come from IRS)
 - **Maximum credit for the property per year:** \$150 total

IV. Vehicles

- **NEW: IRA Tax Credits 30D / USED: IRA Tax Credit 25 E**
- **Purchased before August 16, 2022**

Individuals can receive a tax credit to offset their current year tax liability for the purchase of an electric vehicle or plug-in hybrid vehicle. The credit ranges from \$2,500 to \$7,500, depending on the vehicle's battery capacity. The credit phases out for manufacturers that have sold over 200,000 vehicles in the United States. Tesla and GM reached this phase out threshold, and therefore credits with respect to their cars are not

eligible for the credit. Constituents can claim the credit by filling out this form and attaching it to their annual tax filing.

- **Purchased on August 17, 2022 through December 31, 2022**

The same rules as above apply, but with an additional requirement: the credit is only available for qualifying electric vehicles if final assembly occurred in North America.

- **Purchased in 2023 through the end of 2023**

The 200,000 vehicle credit phase-out is removed (so Tesla and GM cars may once again qualify for the credit). However, existing requirements, including the requirement that “final assembly must have occurred in North America” still apply. In addition to the final assembly requirement above, electric vehicles and plug-in hybrids must meet several other requirements to qualify for the credit, including:

- The vehicle must have a battery capacity of at least 7kWh or be a fuel-cell vehicle (subject to certain requirements)
- Certain manufacturer’s suggested retail price limitations (\$55,000 for sedans, \$80,000 for pickups, vans, and SUVs)
- Certain income limitations:
 - Modified adjusted gross income limits by filing status:
 - \$150,000 for single
 - \$225,000 for head of household
 - \$300,000 for married filing jointly
 - Buyers may use the lower of the prior or current year’s modified adjusted gross income
- Certain content requirements:
 - A portion of the battery’s critical minerals must come from the United States or countries with which we have free trade agreements
 - A portion of the battery’s components must be manufactured or assembled in North America
 - Starting in 2024, none of the vehicle’s battery components can come from a foreign entity of concern. Additionally, starting in 2025, the vehicle may not contain any critical minerals extracted, processed, or recycled in a foreign entity of concern. These provisions may affect vehicles with supply chains related to China

Businesses Tax Credits

I. Electric Vehicles - *The IRS is finalizing the form to claim this credit*

- **What is eligible?** [IRA tax credit 45W](#), Commercial Clean Vehicle Tax Credit
- **Maximum Credit:**
 - Up to \$7,500 for commercial electric vehicles less than 14,000 pounds
 - Up to \$40,000 for commercial electric vehicles over 14,000 pounds

II. Energy Efficiency

- **What is eligible?** [IRA Tax credit 179D](#) allows newly constructed or renovated buildings building owners who meet or exceed some key energy reduction requirements and ASHRAE standards. These energy reductions must be part of at least one of three systems:
 - Interior Lighting
 - Heating, cooling, ventilation, and hot-water systems
 - The building's envelope
- **Maximum Credit:** Up to \$5 per square foot for energy efficiency projects

III. Rooftop Solar

- **What is eligible?** There are two tax credits available for businesses and other entities like nonprofits and local and tribal governments that purchase solar energy systems:
 - The investment tax credit (ITC) is a tax credit that reduces the federal income tax liability for a percentage of the cost of a solar system that is installed during the [tax year](#).
 - The production tax credit (PTC) is a per kilowatt-hour (kWh) tax credit for electricity generated by solar and other qualifying technologies for the first 10 years of a system's operation. It reduces the federal income tax liability and is adjusted annually for [inflation](#).
 - a) Generally, project owners cannot claim both the ITC and the PTC for the same property, although they could claim different credits for co-located systems, like solar and storage, depending on what further guidance is issued by the IRS. Other types of renewable energy and storage technologies are also eligible for the ITC but are beyond the scope of this webpage.
 - b) Solar systems that are placed in service in 2022 or later and begin construction before 2033 are eligible for a 30% ITC or a [2.75 ¢/kWh](#) PTC if they meet labor requirements issued by the Treasury Department or are under 1 megawatt (MW)[5] in size.
- **Maximum Credit:** 30% of all costs for rooftop solar

IV. Alternative Fuels

- **What is eligible?** [IRA Tax Credit 30C](#) electric vehicle chargers, fueling equipment for natural gas, propane, hydrogen, electricity, E85, or diesel fuel blends containing a minimum of 20% biodiesel, is eligible for a tax credit of 30% of the cost or 6% in the case of property subject to depreciation, not to exceed \$100,000.
- **Maximum Credit:** 30% of costs for EV charges up to \$100,000 in eligible low-income/non-urban communities

Rebate Programs

I. Efficiency Maine - Rebates for Residential Energy Efficiency Improvements

- **The Home Rebates Program**

Once a state energy office applies for and receives the grant from DOE, it can provide rebates for whole-house energy saving retrofits begun on or after the date of enactment of the IRA and completed by September 30, 2031. A rebate under HOME may not be combined with any other federal grant or rebate.[1] In addition to the rebates for individual households detailed below, projects for multifamily buildings are also eligible and have different requirements.

- **The High Efficiency Electric Home Rebate Program**

These rebates will be administered – and income eligibility will be verified – at the point of sale. An eligible entity receiving multiple rebates may not receive more than \$14,000 in rebates. In addition to the rebates for individuals explained below, whole building projects for multifamily buildings are also eligible and have different requirements.

- **Income Requirements**

- For households with annual income below 80 percent of an area’s median income, the household can receive rebates up to 100 percent of the project cost
- For households with annual income between 80 percent to 150 percent of an area’s median income, the household can receive rebates up to 50 percent of the project cost.

Electrification Upgrades	Amount of rebate provided
Heat pump water heater	Not more than \$1,750
Heat pump space heating or cooling	Not more than \$8,000
Electric stove, cooktop, range, or oven; or electric heat pump clothes dryer	Not more than \$840
Electrical panel/breaker box upgrade	Not more than \$4,000
Insulation, air sealing, ventilation	Not more than \$1,600
Electric Wiring	Not more than \$2,500

FAQ

Q: What if I do not have a sufficient tax liability, or prefer to receive the value of the credit at the point of sale?

A: Starting in 2024, car dealers may provide the option of a “dealer transfer.” In this case, car buyers can transfer their credit to their dealer at the point of sale. Therefore, the credit can be used to reduce the purchase price instead of the buyer claiming the credit at tax filing. The IRS will provide more information on these rules closer to when the rules go into effect.

Q: How do I claim a tax credit?

A: For your home heat pumps, weatherization, rooftop solar, geothermal, battery storage, and/ or electrical panel upgrade, file form 5695 with your tax return. For eligible battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) in 2023, file form 8936 with your tax return. Starting January 1, 2024, EV tax credits will be automatically applied at the point of sale with no extra step. For home EV chargers in eligible rural or low-income areas, file form 8911. For businesses, some details of these programs are still being finalized. Check for updates on electric vehicles and energy efficiency upgrades.

Q: How can non-profit, tax-exempt organizations benefit from tax credits?

A: Organizations that don’t pay federal taxes, like non-profits or local governments, can take advantage of the tax credits through either direct pay or a transfer of credit.

- **Direct pay option:** Tax-exempt organizations (i.e. non-profits), states, municipalities, the Tennessee Valley Authority, Indian Tribal governments, any Alaskan Native Corporation, and any rural electric cooperative can receive a refund from the IRS for tax credits on projects placed in service after 2022.^[22] Projects starting construction in 2024 and 1 MW or above must meet domestic content requirements or may only receive a refund of 90% of the tax credit. This percentage lowers to 85% for projects starting construction in 2025 and 0% for projects starting construction after 2025. A penalty of 20% may apply where excess payments are requested and made by the IRS.^[23] Individuals and for-profit corporations eligible for the ITC and PTC may only use them against federal taxes owed in a given year, and therefore, the credits are not refundable (though they may be rolled forward).
- **Transfer of credit:** Eligible taxpayers who are not eligible for direct payment may sell all or a portion of the tax credits for a given year to an unrelated^[24] eligible taxpayer. Payments for the credit must be made in cash and are not considered gross income for federal purposes (i.e. no federal taxes are owed on receiving the payment, and no deduction is available to the tax credit buyer for making the payment). A penalty of 20% may apply where excess credits are claimed.^[25]

Sources:

- House Committee on Ways & Means - [The Inflation Reduction Act: Information on Energy Rebates and Tax Credits Available to Constituents to Help Them Save Money](#)
- Maine Won’t Wait [“Mainer’s Guide to Climate Incentives”](#)
- [Consortium for Energy Efficiency, Inc.](#)

- [Department of Energy Efficiency & Renewable Energy](#)
- [Efficiency Maine](#)
- [Internal Revenue Service](#)