

How the Inflation Reduction Act Can Save You Money on Home Energy Costs

In August 2022, the federal government enacted the Inflation Reduction Act (IRA), the largest clean energy investment the United States government has made. It provides many new tax credits, rebates, and discounts to help homeowners make energy efficiency improvements and save on their utility bills.



The funding for rebates is being provided to states who then distribute it directly to qualifying households. Some discounts and rebates are worth thousands of dollars per household. In addition to homeowners, renters, and businesses can access these funds.



Two primary sources of savings are available:

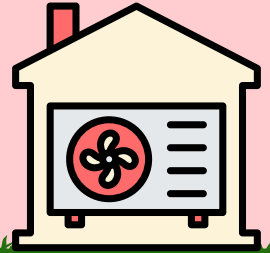
- **Federal tax credits** for energy efficiency: heating, cooling, insulation, and appliance upgrades; renewable energy: solar, geothermal, and battery storage; plus electric vehicles (EV's)—are available now.
- **Rebates** to reduce or cover the cost of heat pumps, water heaters, weatherization, etc. will begin soon.

Here is a summary of available savings categorized by equipment type.

| Equipment Type | Tax credit available for 2023-2032 tax years | Discount/Rebate |
|---|--|---|
| Home energy audit showing best upgrade investments | 30% of cost, up to \$150 | |
| Heat pump air conditioner/heater | 30% of cost, up to \$2,000/year | Up to \$8,000, depending on income |
| Heat pump water heater | 30% of cost, up to \$2,000/year | Up to \$1,750, depending on income |
| Electric stove/induction stove | | Up to \$840 |
| Insulation, air sealing, and ventilation | 30%, up to \$1,200/year | Up to \$1,600 |
| Electric clothes dryer | | Up to \$840 |
| Windows | 30% of cost, up to \$600 | |
| Exterior doors | 30% of cost, up to \$500 for doors (up to \$250 each) | |
| Solar, geothermal, and battery storage installation | 30% of equipment and installation costs | |
| Home electric vehicle charger | 30% of cost, up to \$1,000, but only for rural and low-income areas | |
| Electric vehicle | Up to \$7,500 (for EVs with max cost of \$80,000 for qualifying vehicles made in the US) | Starting Jan. 1, 2024 the tax credit will change to a point of sale discount. |
| Used electric vehicle | Up to \$4,000 (for EVs with max cost of \$25,000 for qualifying vehicles made in the US) | Starting Jan. 1, 2024 the tax credit will change to a point of sale discount. |

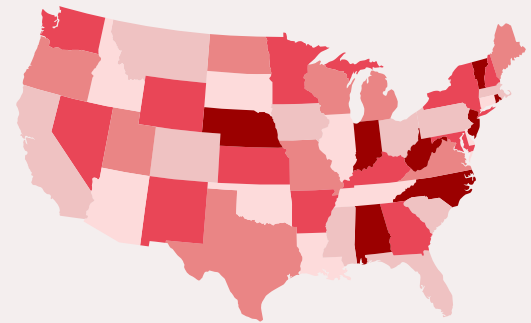
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The largest discounts/rebates will go to those with the lowest income. For example, for those families with low incomes (less than 80% of the area median income—AMI) who want to install a heat pump air conditioner/heater, the discount will cover 100% of their costs up to \$8,000. Heat pumps typically range in cost from \$1,800-\$9,500. For households earning 80%-150% of the AMI, the discount will cover 50% of their expenses up to \$8,000. High income households with incomes over 150% of the AMI will not be eligible for the discount but may still be able to benefit from the tax credit. Households above income thresholds can deduct 30% of the costs from their taxes limited to \$1,200 per year and \$600 per item.



How can I learn about what programs and/or funding is available for consumers in my state?

- While each state does vary, visit your state energy department or state housing office and search for the words “Inflation Reduction Act (IRA),” “energy tax credits,” or “energy rebates.” For rural homes, visit your local USDA Rural Development office. You can also search at your local Extension office.
- Click on your state on the [map at this site](#) for links to the relevant agency that can provide information on rebates.
- Access the [White House’s Inflation Reduction Act guidebook](#).
- Access [fact sheets](#) for each state from the White House.
- Check out Rewiring America’s [Guide to the Inflation Reduction Act](#). The case studies in this guide can help you decide which energy efficiency upgrades are right for your home.
- Specific programs within the IRA include Home Energy Rebate (HER) Programs (\$8.5B) available through September 2031:
 - **HOMES** - Homeowners Managing Energy Savings program (\$4.3 billion) provides cash back by shrinking your overall home energy through weatherization and renovations (insulation, appliances, heat pumps, clothes dryers).
 - **HEEHRA** -High Efficiency Electric Home Rebate Act (\$4.275 billion to State Energy Offices and \$225 million to tribes to distribute over 10 years) provides point-of-sale consumer rebates to low- and moderate -income households to electrify their homes. HEEHRA covers 100% of electrification costs up to \$14,000 for low-income households and 50% of costs up to \$14,000 for moderate-income households. Rebates go to multifamily buildings where 50% of residents are low to moderate income.



Depending on how each state is handling the funding, local energy providers, installers, or service providers may provide information about available programs, qualifying equipment, and benefits for their consumers.

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Sustainable Living Series:

Do you have an interest in sustainability but are not sure where to start? Are you interested in learning ways to expand your strategies to live more sustainably and apply them not only at home but in your community as well? Then consider attending the online Sustainable Living Series course hosted by Extension systems at Michigan State University, Purdue University, and the University of Florida.

The Sustainable Living Series course provides attendees with a wide range of knowledge, including real-world examples to help strengthen critical thinking skills related to future sustainability actions and decisions.

Series topics include:

- Sustainability 101
- Consumerism
- Energy
- Food
- Water
- Applying what you have learned at home and in your community



For more information about the Sustainability Living Series contact:

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Important Consumer Information:

- [IRS Credits and Deductions Under the Inflation Reduction Act of 2022](#)
- Affordable loan products and services are available to support energy efficiency improvements and often vary by state. Some state [Housing Finance Agencies \(HFA\)](#) offer green loan programs and incentives. [Property Assessed Clean Energy](#) loans are available in some states to help property (commercial and/or residential) owners finance energy-efficient improvements. Energy-efficient mortgage options are available through conventional mortgages (including [Fannie Mae](#) and [Freddie Mac](#)), [FHA](#), [USDA](#), and [VA](#). [Seventeen regional Thriving Communities Technical Assistance Centers \(TCTAC's\)](#) are available to support disadvantaged and underserved communities in getting federal funding for investments in clean energy and pollution remediation.
- Remember the rule of three by researching three different providers when making low-cost improvements and modifications. Inquire which will be offset by IRA tax incentives and rebates.
- Beware of scams related to energy efficiency improvements and audits. Be sure the specific equipment qualifies for incentives.
- Each state will vary in how much and how they will fund energy efficient updates. Check your state for specific available tax credits and rebates.

Resources

Where to Start – Deciding Where to Improve the Energy Efficiency and Health of Your Home

- **Do You Have a “Healthy Home”?**, from the US Department of Energy, an infographic for homeowner and contractor to use to assess home health, energy efficiency, and ways to save money on utility bills. Includes link to qualified contractors nationally.
- **Get More From Your Home** – Home Performance with ENERGY STAR®
- **Smart Home Tips for Saving Energy**, ENERGY Star – Describes Smart thermostats, lighting, appliances - smart home systems that help you simplify, reduce, and manage your energy consumption.
- U.S. Department of the Treasury: **The Impact of Climate Change on American Household Finances** This September 2023 report features an extensive list of resources for consumers both on the Inflation Reduction Act and on preparing for disasters.

Find a Qualified Contractor Nationally

- **Home Performance with ENERGY STAR®** <https://ENERGYSTAR.gov/HomePerformance> US Department of Energy’s ENERGY STAR programs provide a list with links to find local help by connecting you to your state programs.
- **Building Performance Institute Certified Professionals map locator** at <https://bpi.org/locator-tool>

Funding available to landlords/building owners

- **Inflation Reduction Act New Energy Efficiency Homes Credit** up to \$5,000/new dwelling unit or substantial renovations that meet ZERH v2 criteria (Zero Energy Ready Homes–ZERH v2 requires increased energy efficiency, EV charging readiness, solar preparedness, plus other measures), or up to \$2,500 for units that achieve ENERGY Star certification – achieve 20% greater efficiency on average. Building owners can visit this **Department of Energy website** for details on how to apply for these credits.

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