



Tax Credits & Rebates Overview

The federal income tax credits described here are available for homeowners as of January 1, 2023

A companion "rebate" program will be available for homeowners who cannot use (or do not want to claim) federal income tax credits. The rebate program should be in place by early 2024.

The rebate program will be administered by the Alabama State Energy Office in accordance with a plan that must be approved by the U.S. Department of Energy.



This information in this flyer is believed to be accurate as of April 20, 2023 for the 2023 tax year.

Information contained herein should not be considered tax advice or relied on as tax advice. Consult your tax adviser to confirm details and applicability to your personal financial situation.

INFLATION REDUCTION ACT (IRA)

RESIDENTIAL CLEAN ENERGY CREDIT

Available for improvements to main residence only. Can be existing residence or newly-constructed primary residence. Certain limited improvements to a second home might qualify.

The homeowner can receive a tax credit of up to 30% of the cost to purchase and install "clean energy equipment" on the main home, provided the clean energy equipment meets the requisite energy efficiency requirements. Certain labor costs can be included. No cap on the total amount.

Any **Unused Clean Energy Property Tax credit can be carried forward** to future years if the homeowner does not have enough federal income tax liability in year one.

Clean Energy Equipment Includes:

- Solar Electric Property (including: solar panels, system equipment and energy storage)
- Solar Water Heating Property
- Small Wind Energy Property
- Geothermal Heat Pump Property
- Biomass Fuel Property

More details on the energy efficiency requirements can be found in the answer to Question 2 of IRS Fact Sheet FS-2022-40 available at IRS.gov.

HOME EV CHARGING STATION

The IRA renewed/extended a program known as the Alternative Fuel Refueling Property Credit that includes tax credits for installation of EV charging station equipment.

If the charging station is for personal use, you can claim a credit of (the lesser of) \$1,000.00 or 30% of the cost of EV charging equipment and installation. A credit under this program is available for businesses that want to install EV charging on commercial properties.

See IRS Form 8911 for instructions and more details.

CREDITS FOR ENERGY STAR / ZERO ENERGY READY CERTIFIED NEW HOMES

These Section 45L credits go to the "qualified contractor."
To receive the full credit, must meet all the program guidelines, including prevailing wage.

More Information: <https://www.energy.gov/eere/buildings/45l-tax-credits-zero-energy-ready-homes>
<https://www.irs.gov/credits-deductions/credit-for-builders-of-energy-efficient-homes>

Section 45L Credit for ENERGY STAR Certified single Family Home: \$2,500

Section 45L Credit for Zero Energy Ready Home: \$5,000

ENERGY EFFICIENCY HOME IMPROVEMENT TAX CREDIT

The IRA modified and expanded the existing tax credit programs for energy efficiency improvements in residential homes. These are known as 25C Credits.

The **Energy Efficient Home Improvement Credit may NOT be carried forward**. If your federal income tax liability is too low to take advantage of the full credit available in a particular year the unused credit will be lost.

The actual credit for an upgrade depends depending on the type of home improvement. Generally, the credit is 30% of cost, up to the maximum for the particular type of efficiency upgrade. There is an annual maximum of \$3,200.00 across two categories (see lists below).

Annual Maximum Credit Available: \$3,200.00

\$1,200 in tax credits per year

Qualified Energy Efficiency Systems
Improvements to Certain Building
Envelope Components
Home Energy Audits

\$2,000 in tax credits per year

Electric or Natural Gas Heat Pumps
Electric or Natural Gas Heat Pump Water
Heaters
Biomass Stoves & Biomass Boilers

With good planning you can maximize credits by working in phases to complete the clean energy upgrades over several years and stacking credits to take advantage of annual maximums.

Electric Panel & Wiring Upgrades

Electric panel and wiring upgrades are one of the qualifying improvements under the 25C credits.
The credit is 30% of the cost with a cap at \$600 credit.

The panel, circuits and wiring must have load capacity of at least 200 amps
Must be installed in conjunction with, and enable the use of qualified energy efficiency improvements
or qualified energy property.

All improvements under the Energy Efficiency Home Improvement Tax Credit must meet the applicable Energy Efficiency Requirements as defined by federal regulation.

Visit [EnergyStar.gov](https://www.energystar.gov) and/or the IRS Fact Sheet FS-2022-40 for details. Not all ENERGY Star certified appliances and systems qualify for the Energy Efficiency Home Improvement Tax Credit.

