

Committee on Energy Resources and the Environment

Will the IRA Reduce Inflation? What If Some States Choose Not To Play?

1:45 p.m.

Inflation Reduction Act

Tax Credits and Rebates

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Home Efficiency Tax Credits for Consumers

Equipment type	Tax Credit Available for 2022 Tax Year	Updated Tax Credit Available for 2023-2032 Tax Years
Home Clean Electricity Products		
Solar (electricity)	30% of cost	
Fuel Cells		
Wind Turbine		
Battery Storage	N/A	30% of cost
Heating, Cooling, and Water Heating		
Heat pumps	\$300	30% of cost, up to \$2,000 per year
Heat pump water heaters		
Biomass Stoves		
Geothermal heat pumps	30% of cost	
Solar (water heating)		
Efficient air conditioners*	\$300	30% of cost, up to \$600
Efficient heating equipment*		
Efficient water heating equipment*	\$150	30% of cost, up to \$600
Other Energy Efficiency Upgrades		
Electric panel or circuit upgrades for new electric equipment*	N/A	30% of cost, up to \$600
Insulation materials*	10% of cost	30% of cost
Windows, including skylights*	10% of cost	30% of cost, up to \$600
Exterior doors*	10% of cost	30% of cost, up to \$500 for doors (up to \$250 each)
Home Energy Audits*	N/A	30% of cost, up to \$150

*Subject to cap of \$1,200/year

Direct Payment of Tax Credits

States, local governments, municipalities, or any other non-profit organization, can now receive the following tax credits as a direct payment from the Treasury:

Tax Code §	Credit	Summary Description
30C*	Alternative Fuel Refueling Property Credit	30% of investment cost, including EV chargers
45/45Y**	Clean Electricity Production Credit	\$26/MWh for 10 years, with bonuses possible
48/48E**	Clean Electricity Investment Credit	30% of investment cost, with bonuses possible
45Q*	Carbon Oxide Sequestration Credit	Up to \$85/metric ton sequestered for 12 years
45V*	Clean Hydrogen Production Credit	Up to \$3/kg of hydrogen for 10 years
45W	Commercial Clean Vehicles	Up to \$7,500 for a light duty clean vehicle, or up to \$40,000 for a medium or heavy-duty clean vehicle
45X	Manufacturing Production Credit	Credits for production of solar, wind, and battery components or critical minerals
45Z*	Clean Fuel Production Credit	Credits for production of low carbon fuels
48C*	Advanced Energy Project Credit	30% investment credit for facilities manufacturing clean energy products

**Prevailing wage and apprenticeship requirements must be met for max credit, otherwise 5x lower in value*

+ Over time, projects must meet domestic content criteria in order to be eligible for direct pay

Allocated Environmental Justice Bonus

- Additional investment tax credit bonus for clean electricity projects benefiting environmental justice communities.
- These bonuses cannot stack with each other but can stack with the energy community and domestic content bonuses.
- Limited to 1.8 GW/year total, and to projects 5 MW or smaller.

Category	Bonus Credit
Located in low-income community	10 percentage points
Located on Indian land	10 percentage points
Located on a low-income residential building	20 percentage points
Projects that provide over 50% of total financial benefits to low-income households	20 percentage points

Investment Tax Credit EXAMPLE: Direct Pay and Bonus Stacking

For example, a 5 MW solar project, owned by a local government, meeting the requirements for the relevant bonuses, could earn up to a 60% investment credit, as a payment from the Treasury

DOE loans from the new Energy Infrastructure Reinvestment program **can stack** with relevant tax credits

Category	Credit Value
Base investment tax credit value	6%
If prevailing wage and apprenticeship requirements met	30%
If domestic content criteria met	+10%
If benefiting low-income population	+20%
Total Credit	60%

State & Territory Home Energy Rebate Allocations

Alabama	\$146 M	Iowa	\$121 M	New Mexico	\$88 M	Virginia	\$189 M
Alaska	\$75 M	Kansas	\$106 M	New York	\$318 M	Washington	\$166 M
Arizona	\$153 M	Kentucky	\$134 M	North Carolina	\$209 M	West Virginia	\$88 M
Arkansas	\$105 M	Louisiana	\$213 M	North Dakota	\$74 M	Wisconsin	\$149 M
American Samoa	\$50 M	Maine	\$72 M	Ohio	\$249 M	Wyoming	\$69 M
California	\$582 M	Maryland	\$137 M	Oklahoma	\$129 M	Allocation of \$225M designated for Indian Tribes has not yet been determined.	
Colorado	\$140 M	Massachusetts	\$146 M	Oregon	\$114 M		
Connecticut	\$99 M	Michigan	\$211 M	Pennsylvania	\$259 M	Up to 20% of these funds may be used for program administration.	
District of Columbia	\$59 M	Minnesota	\$148 M	Puerto Rico	\$85 M		
Delaware	\$66 M	Mississippi	\$105 M	Rhode Island	\$64 M	NOTE: These figures are rounded. Exact amounts can be found here: https://www.energy.gov/articles/biden-harris-administration-announces-state-and-tribe-allocations-home-energy-rebate	
Florida	\$346 M	Missouri	\$151 M	South Carolina	\$137 M		
Georgia	\$219 M	Montana	\$71 M	South Dakota	\$69 M		
Guam	\$51 M	Northern Marianas	\$50 M	Tennessee	\$167 M		
Hawaii	\$68 M	Nebraska	\$91 M	Texas	\$690 M		
Idaho	\$81 M	Nevada	\$96 M	Utah	\$101 M		
Illinois	\$264 M	New Hampshire	\$70 M	Vermont	\$59 M		
Indiana	\$182 M	New Jersey	\$183 M	U.S. Virgin Islands	\$51 M		

How Much Money is Potentially Available Per Household?

Households with Incomes above 80% Area Median Income¹	Efficiency ²	Lower energy savings: 50% of project costs up to \$2,000 Higher energy savings: 50% of project costs up to \$4,000
	Electrification	50% of project costs up to \$14,000 (Household income must be below 150% AMI)
Households with Incomes Below 80% AMI¹	Efficiency ²	Lower energy savings: 80% of project costs up to \$4,000 Higher energy savings: 80% of project costs up to \$8,000
	Electrification	100% of project costs up to \$14,000
Multifamily/Rental Housing Building Owner	Efficiency ²	Lower energy savings: \$2,000/unit up to \$200,000 Higher energy savings: \$4,000/unit up to \$400,000
	Electrification	50% of project costs up to \$14,000/unit (>50% of units must have income <150% AMI)
Multifamily/Rental Housing Building Owner with >50% of Households <80% AMI¹	Efficiency ²	Lower energy savings: 80% of the project cost up to \$4,000/housing unit Higher energy savings: 80% of the project cost up to \$8,000/housing unit
	Electrification	Lesser of 100% of project costs or \$14,000/unit

¹See Area Median Income (AMI) for your area: https://www.huduser.gov/portal/datasets/il/il2022/select_Geography.odn

²Other rebate amounts (roughly within these ranges) may be available if efficiency rebate rates are determined through measured performance.

Thank you!

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