

## THE INFLATION REDUCTION ACT

### IRS site with details

<https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022>



# 25C Energy Efficient Home Improvement Credit and 25D Residential Clean Energy Property Credit

**Timing:** Available now (new version of 25D also retroactive to all of 2022); **Administration:** IRS

## ⚡ THE BIG PICTURE

The 25C and 25D tax credits incentivize household electrification and efficiency upgrades by lowering the total cost of qualified electrification upgrades and select weatherization measures. 25C provides a capped 30 percent tax credit for heat pumps, heat pump water heaters, qualifying electrical panel upgrades, select weatherization measures, and energy audits. **For the first time, air source heat pumps for space heating/cooling and heat pump water heaters will be eligible for a tax credit of up to \$2,000 per year, and electrical panel upgrades installed in conjunction with a heat pump or heat pump water heater will be eligible for a tax credit of up to \$600.** 25D provides an uncapped 30 percent tax credit for rooftop solar, battery storage (starting in 2023), and geothermal heating. The IRS has also allowed 25D to be applied to an electrical panel upgrade as long as it is installed in conjunction with and enables another eligible energy installation.

### The details on 25C: heat pumps, heat pump water heaters, and more

- Available now
- 30 percent capped tax credit for residential efficiency and electrification upgrades, up to \$3,200 per year (see chart)
  - Annual total credit for heat pumps and heat pump water heaters capped at \$2,000
  - Annual total credit for other upgrades capped at \$1,200; limits per upgrade may apply
  - Covers purchase and installation costs for heat pumps, heat pump water heaters, and panel upgrades; covers just purchase costs for other listed upgrades. For more information, please visit [MassSave.com/IRA](https://MassSave.com/IRA) for its FAQ section
  - Equipment purchase credits subject to efficiency requirements

- Up to \$600 for electrical panel upgrades if they are installed in conjunction with and enable a heat pump or heat pump water heater
- Credit limit is annual (not lifetime), so it resets each year and can be used again
- Nonrefundable, so households must have adequate tax liability to offset

### The details on 25D: rooftop solar, battery storage, and geothermal heating

- Available now (new version of 25D also retroactive to all of 2022)
- 30 percent uncapped tax credit for rooftop solar, battery storage, and geothermal heating
  - Should include electrical panels if they are installed in conjunction with and enable any of the above installations
  - Covers purchase and installation costs

- Nonrefundable, so households must have adequate tax liability to offset
- Carry-forward ability applies, so households may roll over unused tax credits year over year

#### 25C Tax credit

For Qualified Electrification Upgrades

<b>Total annual credit</b>	<b>\$3,200</b>
Heat pumps and heat pump water heaters	\$2,000
Other upgrades	\$1,200
<b>Annual credit for heat pumps and/or heat pump water heaters</b>	<b>\$2,000</b>
Heat pump	\$2,000
Heat pump water heater	\$2,000
<b>Annual credit for other upgrades</b>	<b>\$1,200</b>
Insulation and air sealing (products only, labor costs not eligible for credits)	\$1,200
Doors	\$500
Windows	\$600
Electrical panel	\$600

⚡ Renter-occupied buildings (through the landlord's purchase of equipment) can also take advantage of both Mass Save® incentives as well as tax incentives.

# Frequently Asked Questions

## **Will 25C and 25D be retroactive?**

25C and 25D were available starting January 1, 2023, so save your receipts for filing season! If you installed rooftop solar in 2022, it is eligible for the new, 30 percent 25D tax credit. If you installed a heat pump in 2022, it is eligible for the old 25C tax credit: 10 percent of costs up to \$300.

## **Will 25C and 25D reduce up-front costs for consumers?**

No, but they will reduce total costs.

## **Can renters utilize 25C and 25D?**

Yes! Renters may be specifically interested in the 25C credit for portable, window-unit heat pumps once the Consortium for Energy Efficiency releases relevant efficiency standards (expected by 2024). Also, renters may take qualifying equipment with them when they move.

## **Who qualifies for 25C and 25D?**

Anyone with adequate tax liability to offset can qualify for 25C and 25D.

## **Can 25C and 25D stack with other incentives?**

Yes! 25C and 25D can be combined with other federal incentives like the HEEHR and HOMES rebates. The tax

credits can be applied to the *net* cost of qualifying equipment and upgrades (i.e., the cost to the customer after applicable Mass Save or state incentives).

## **Do 25C and 25D cover electrical panel upgrades?**

25C and 25D cover panel upgrades if they are installed in conjunction with and enable the installation of another covered upgrade, like a heat pump or rooftop solar, respectively.

## **Do smart panels qualify for 25C and 25D?**

Yes, as long as they have a rated capacity of at least 200 amps. Please consult with a qualified electrician to understand if the smart panel you are considering meets this criteria.

## **Do 25C and 25D apply to new construction?**

No for 25C; yes for 25D.

## **Which tax credits cover which heat pumps?**

25C covers air source heat pumps and 25D covers geothermal heat pumps.

## **Does 25C have efficiency requirements?**

Yes. 25C is applicable only to heat

pumps and heat pump water heaters that meet the Consortium for Energy Efficiency's highest non-"advanced" tier. ENERGY STAR® certified doors and ENERGY STAR Most Efficient certified windows also are eligible.

## **What does it mean that 25C resets every year?**

By resetting every year, 25C will be available to households for multiple upgrades over multiple years. For example, if a household maxes out 25C in one year by claiming a \$2,000 credit for a heat pump and a \$1,200 credit for insulation, that household can utilize 25C again in a future year for a heat pump water heater and an electrical panel upgrade.

## **Does 25D cover community solar?**

25D may cover community solar in some cases, if you're a partial owner of a community solar installation. If you're a "subscriber" to a community solar project owned by a developer (including nonprofits, co-ops, and local governments), you'll likely not be eligible for 25D, but the developer may be eligible for the supplier-facing Section 48 investment tax credit.



**For more information, go to:**

[MassSave.com/income](https://masssave.com/income)

[MassSave.com/ira](https://masssave.com/ira)