

Inflation Reduction Act FAQs

ACT OF 2022 ★★★★★★★★★★★★ INFLATION REDUCTION

Inflation Reduction Act FAQs

Q: What is the Inflation Reduction Act?

A: The Inflation Reduction Act of 2022 (IRA) is a recently passed U.S. law designed to advance clean energy and greenhouse gas emissions through support for investment in domestic energy production, energy efficiency and beneficial electrification. The legislation provides over \$10 billion in rebates and tax credits to help households install important home upgrades, increase energy efficiency, and use renewable energy.

Q: When will the IRA go into effect?

A: The Act was signed into law on August 16, 2022. The Act includes multiple programs designed to assist owners, renters, and landlords of single- and multi-family homes and buildings. Some energy savings programs, such as tax credits, are available for improvements made starting in 2023 and others, such as state specific incentive programs, will be further developed over the coming year.

Q: How could my home benefit from the IRA?

A: The Act includes tax credits and rebates designed to reduce the cost of increasing your home's energy efficiency, thus lowering overall energy use, and enhancing comfort and indoor air quality. Specifically supported measures include weatherization, distributed energy resources (solar PV and batteries) and various forms of electrification, including support for high-efficiency heat pumps, induction cooktops, heat pump hot water heaters and electrical upgrades.

Q: How does the IRA address climate change?

A: About 20% of all greenhouse gas emissions come from the residential housing sector. The Act provides financial incentives to stop energy waste and potentially reduce these emissions by up to 40%.

Q: How does the IRA help me save money through the Energize Connecticut energy efficiency programs?

A: In addition to tax credits that taxpayers can claim directly, the Act includes almost \$8.6 billion in federal grants issued to individual state energy offices to develop and implement rebate programs. In Connecticut, these programs will be developed by the Department of Energy and Environmental Protection. The Sponsors of Energize Connecticut will coordinate efforts with the state of Connecticut in the development of programs and offerings that utilize the IRA funds.

Q: Do I need to wait for the IRA funded programs to be made available before I start an energy efficiency project?

A: The Sponsors of Energize Connecticut already offer significant rebates and incentives designed to save homeowners, renters and landlords money through supporting energy efficiency solutions that lower energy costs. While the IRA funds may provide additional options in the coming year, Connecticut residents and businesses can make energy efficiency improvements now with the existing Energize Connecticut program offerings to start saving money and driving environmental benefits immediately.

Q: What IRA rebate program is available to all homeowners and landlords?

A: Homeowners and landlords of single- and multi-family homes can benefit from savings with the Home Energy Performance-Based, Whole-House rebate program (the HOMES rebate program). Program eligibility is not income-based and instead measures the actual performance of your whole-home energy efficiency and electrification improvements. Further details will be developed as the State works on program offerings with the Department of Energy and Environmental Protection over the coming year.

Q: Is there a rebate program available to low- and moderate-income households?

A: The High Efficiency Electric Home (HEEH) program includes rebates for low- and moderate-income households (or those working on their behalf) that install new, efficient electric appliances. With some potential adjustments, Energize Connecticut residential programs may be adapted to align with the HEEH rebate program. Unlike the HOMES program, eligibility for the HEEH rebate is income-based. Further details will be developed as the Connecticut Department of Energy and Environmental Protection works with the U.S. Department of Energy over the coming year.

Q: Can I combine the HOMES and HEEH rebates?

A: No, these IRA rebates cannot be combined. The rules for each program will be determined by the U.S. Department of Energy and the Connecticut Department of Energy and Environmental Protection.

Q: Does the IRA offer tax credits?

A: Yes, the Act extends and increases certain tax credits that are available to consumers who reduce energy use and emissions from their homes by investing in energy efficiency and renewable energy.

Q: Can I claim a tax credit for eligible home improvements under the IRA?

A: The Act reinstituted and increased the Energy Efficient Home Improvement Credit, which allows households to credit up to 30% of the cost of energy efficiency home upgrades against their taxes. Depending on the equipment or improvement made, this credit can total up to \$1,200 per year for weatherization and up to \$2,000 for electric heat pumps and heat pump water heaters. The full credit is available for home improvements made starting in 2023.

Q: Does the IRA offer tax credits for installing solar power or battery storage systems?

A: The Act extended the Residential Clean Energy Credit, which allows households to credit up to 30% of the cost of installing solar panels and batteries against their taxes. This credit is available for solar installed this year, and for residential batteries installed starting in 2023.

Q: How can developers benefit from the IRA's tax credit opportunities?

A: The Act extended and increased the New Energy Efficient Home Credit, which provides up to \$5,000 to developers to build energy efficient single-family homes and units in multi-family buildings. To qualify for the credit, these homes and buildings must meet the Department of Energy's ENERGY STAR Residential New Construction requirements or be certified as Zero Energy Ready Homes. (The latter are verified by a qualified third party as being at least 40% more energy efficient than a typical new home.) The credit is available for qualified homes sold starting in 2023.

Q: Does the IRA offer tax deductions for commercial buildings?

A: The Act significantly increased the Commercial Buildings Energy Efficiency Tax Deduction, which allows building owners constructing new buildings or undergoing major renovations to deduct the cost of qualified energy efficiency improvements up to a maximum of \$0.50 to \$1.00 per square foot for projects achieving 25 to 50 percent reductions in energy cost compared to a building meeting the ASHRAE 90.1 standard. These incentives quintuple for projects that meet prevailing wage and apprenticeship requirements.

The act also adds a new alternative option to claiming the Commercial Buildings Energy Efficiency Tax Deduction. This option is available for building owners that reduce the building's energy use intensity (EUI) by 25% or more. This path to claiming the tax deduction allows the owner to deduct the cost of qualified energy efficiency improvements up to a maximum of \$.50 to \$1.00 per square foot for projects achieving 25 to 50 percent reductions in energy use intensity over baseline, with the same increase in incentives for projects that meet prevailing wage and apprenticeship requirements.

Q: How can under-resourced communities benefit from the IRA's partnered funding?

A: The Department of Housing and Urban Development and the Environmental Protection Agency provide nearly \$19 billion in grants, loans, and funding to support affordable housing developments and low-income and disadvantage communities to improve energy efficiency and electrify their buildings.

Q: What is the timeline for receiving a tax credit or an eligible cash rebate under the IRA?

A: Tax credits are available for improvements made to your home starting in 2023. With respect to cash rebates, the Act does not include any specific timeline for its implementation by the Department of Energy or state energy offices. The federal government will allocate funds to individual states, and the state government will then need to create new programs to oversee these funds, including determining cash rebate values and eligibility rules. The Sponsors of Energize Connecticut look forward to collaborating with our partners in Connecticut state government to design and implement approaches that allow customers to leverage these new sources of funding when taking advantage of complementary offerings from the Energize Connecticut programs. We will continue to provide updates through EnergizeCT.com as additional details become available.

Disclaimer: This summary does not represent tax advice. Outside tax counsel may be required to consider tax credit project structure, and rules and guidance from the Federal government are pending.

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