



Policy Factsheet: Inflation Reduction Act

The Inflation Reduction Act (IRA) sets the United States on course to reduce greenhouse gas emissions by 40 percent by 2030. In total, the act includes \$369 billion for climate action and energy security, and includes many provisions to accelerate the adoption of energy efficiency and clean energy technologies. Below is an overview of some of the provisions and incentives tied to them.

Home Electrification and Retrofits

- **The HOMES Rebate Program:** State energy offices receive \$4.3 billion to develop and implement a HOMES Rebate Program for single-family and multi-family homes that provides incentives for performance-based rebates. The rebates are geared towards building envelope measures such as insulation and air sealing, but can also be used for appliance and HVAC replacements. Homeowners can qualify for up to \$4,000 for completing a whole-house project and moderate-income households can qualify for up to \$8,000.
 - \$2,000 rebate for those achieving 20 percent savings and \$4,000 for 35 percent savings capped at 50 percent of project cost (double for low- and moderate-income households, capped at 80 percent of project cost)
 - For homes located in disadvantaged communities that participates in the program, program implementers will receive an additional rebate of \$200.
 - State energy offices must submit plans in two years to receive funding, and plans can run for 10 years.
- **The High-Efficiency Electric Home Rebate Act (HEERA):** State energy offices and tribes receive \$4.5 billion to fund efficient electrification of low- and moderate- income households. The bill provides direct rebates for low- and moderate income households only. This includes up to \$8,000 for a heat pump. Funding is available in 2022, but implementation will take time.
 - The rebate is available at point-of-sale and state energy offices will determine the definition of point-of-sale for their programs. The act covers 100 percent of costs for low-income households who are below 80 percent of the median income, and 50 percent for those who earn between 80-150 percent of the median income. Multifamily households also qualify if 50 percent of the occupants are low-to-moderate income. Additionally, contractors can receive a \$500 incentive.



- These rebates include \$4,000 for heat pump space heaters (\$6,500 for low-income households), and more for other technologies such as heat pump water heaters, air source heat pumps, and more for other upgrades such as induction cooktop and rooftop solar.
- **Improving Energy Efficiency and Water Efficiency or Climate Resilience in Affordable Housing (GREAH Act)**: For owners and sponsors of privately-owned, Housing and urban development subsidized properties that agree to an extended period of affordability:
 - \$1 billion for grants and direct loans, which includes \$42.5 million to benchmark energy and water use for eligible properties
 - Low-emission tech, materials, and processes including zero emission technology
- **The Tribal Electrification Program**: Tribal communities will attain \$145 million to transition or electrify energy systems.
- **National Green Bank**: The act establishes a national green bank with \$27 billion for low-cost financing of clean energy infrastructure projects. Of the \$27 billion, states and tribes can apply for \$7 billion in grants and loans to provide zero-emission technologies to low-income and disadvantaged communities.

Codes

- **The Zero Building Energy Code Adoption**: The IRA invests \$1 billion in zero energy code adoption, directing it as grants to states and local governments.
 - \$330 million to adopt residential building codes that meet or exceed the 2021 IECC (residential)/ASHRAE 90.1-2019 (commercial), or better
 - \$670 million for grants to assist state and local governments adopt the zero energy provision of the 2021 IECC building codes
 - Jurisdictions must implement a comprehensive compliance plan which includes training, enforcement, and annual measurement of compliance for these codes standards
 - Key opportunities for advocates to pursue: ensuring that zero energy codes include decarb, ensuring that state needs can be met, heading off weakening amendments

Workforce Training

- **Home Online Performance-based Energy-efficiency (HOPE) Training Program**: \$200 million to state energy offices through the State Energy Program (SEP) for training and education for contractors



installing energy efficient appliances and electrification improvement. DOE will have more specifications.

Tax credits/deductions

- **Energy Efficient Home Improvement Credit:** Households can deduct up to 30 percent of the cost of upgrades such as heat pumps and insulation.
 - **Section 25C Tax Credit:** Up to \$3,500 starting in 2023:
 - Annual credit for heat pumps and heat pump water heaters capped at \$2,000 and other annual upgrades up to \$1,200 (covers purchase and installation)
 - Annual credit limit resets every year (may be beneficial to split upgrades over the years) and is non-refundable.
 - Energy properties must meet Consortium for Energy Efficiency's highest efficiency tier
 - Thirty percent discount starting in 2023 for heat pump water heaters (HPWH), air source heat pumps (ASHP), and modular packaged units (MPU) capped at \$3,200. It is non-refundable but will carry forward.
 - Can combine with 25C, state tax credits, utility rebates, and new federal rebates
 - **Section 25D Tax Credit:** IRA extends the tax credit by 10 years to 2034
 - Battery storage systems and solar: Thirty percent discount by 2032, 26 percent by 2033, and 22 percent by 2034 but need tax liability
 - Thirty percent 2022-2034 for geothermal heat pumps with no cap. It is non-refundable but can carry forward.
 - Can combine with 25C, state tax credits, utility rebates, and new federal rebates
- **Commercial Buildings Energy Efficient Credit:** Businesses achieving 25-50 percent reductions in energy use can receive \$2.50-\$5.00 per square foot.
- **New Energy Efficient Home Credit:** Developers who build zero energy ready homes, as qualified by the Department of Energy, can receive up to \$5,000 in tax credits for multifamily and single-family units. This includes new single and multifamily homes, manufactured homes, and existing homes undergoing deep retrofits.
 - Can be stacked with Low Income Housing Tax Credit without reducing basis
- **Section 48a Tax Credit:** 40 percent for geothermal heat pump ITC 2022-2034: direct pay saleable credits
- **Section 45L Tax Credit:** \$2,500-\$5,000 New Energy Efficiency Home Tax Credit



Additional Resources

- [Senator Van Hollen's HOPE for HOMES Provisions in the Inflation Reduction Act](#)
- [BPA Applauds Historic Bill with Focus on Homeowner Rebates and Clean Energy Jobs, Releases Report to Highlight Need for Retrofit Policies](#)
- [Key Climate Elements in Senate Budget Reconciliation](#)
- [An overview of the climate and electrification provisions for disadvantaged communities in the Inflation Reduction Act](#)
- [The Electric Explainer: The Inflation Reduction Act](#)
- [Inflation Reduction Act & HOPE for HOME Resources](#)
- [White House FACT SHEET: Inflation Reduction Act Advances Environmental Justice](#)