

Clean Energy and Efficiency Incentives for Individuals (Section 13301)

Individual taxpayers were allowed credits for specified nonbusiness energy property expenditures [§25C(a)]. The credit applied to property placed in service before Jan. 1, 2022, in the taxpayer's principal residence and was subject to a lifetime limit. The IRA of 2022 renamed the credit to energy efficient home improvement credit and extended the credit to include property placed in service before Jan. 1, 2033. In addition, the IRA of 2022 increases the credit amount to 30% (previously 10%) of the sum of the amount paid or incurred by the taxpayer for qualified energy improvements installed during the year and the amount of the amount of the residential energy property expenditures paid or incurred by the taxpayer during that year. Furthermore, the lifetime limit no longer applies. Instead, the annual limit is \$1,200 with specific limitations including the cost of installation on the amount of the credit that can be claimed for windows, skylights and other energy improvements (\$600 annual total), doors (\$250 for one, \$500 for more than one), and \$2,000 (for installations after December 21, 2022) for specified heat pumps, heat pump water heaters, and biomass stoves and boilers. In addition to the increased credit amount, roofs were removed as a building envelope component, where air sealing insulation, including air sealing material or system, was added. Improvements to or replacements of a panelboard, sub-panelboard, branch circuits or feeders are now included as qualified energy property as long as requirements are met. The IRA of 2022 further expands the credit to homes located in the U.S. as long as the taxpayer uses that property as a residence. In other words, if a taxpayer makes energy efficient improvements on a second home, those expenses are eligible for the credit under §25C.

Residential Clean Energy Credit (Section 13302)

Individuals were allowed the residential energy efficient property (REEP) credit for solar electric, solar hot water, fuel cell, small wind energy, geothermal heat pump and biomass fuel property installed in homes in years before 2024 [§§ 25D(a) and 25D(h)]. The credit amount was:

- 26% for property placed in service after Dec. 31, 2019, and before Jan. 1, 2023
- 22% for property placed in service after Dec. 31, 2022, and before Jan. 1, 2024

The IRA of 2022 extended the credit plus increased the credit amount to the following:

- 30% for property placed in service after Dec. 31, 2019, and before Jan. 1, 2033
- 26% for property placed in service after Dec. 31, 2032, and before Jan. 1, 2034
- 22% for property placed in service after Dec. 31, 2033, and before Jan. 1, 2035

These provisions generally apply to expenditures made after Dec. 31, 2021.