

Inflation Reduction Act (IRA) of 2022 ~ Clean Energy Incentives

Refresher!

Residential Clean Energy Credit (previously the Residential Energy Efficient Property Credit)

A 30% credit is available for electric property placed in service from 2022 to 2032 (26% in 2033 and 22% in 2034).

- Qualified property includes solar electric, solar water heating, fuel cell, small wind energy, qualified battery storage costs in addition to several other less common expenditures.
- The credit is only available for clean energy property installed on a personal use property.
- To claim the credit in 2023, the property must be placed in service by 12/31/23. Time of payments (i.e. financing) is irrelevant.
- There is no maximum credit a taxpayer can claim and there are no income limitations.

Energy Efficient Home Improvement Credit (previously the Nonbusiness Energy Credit)

This credit is available for property placed in service in 2023 (expires in 2032 as under current law).

- Credit is 30% of the cost of qualifying improvement property, including such improvements as exterior doors, windows, skylights, insulation, air conditioners, water heaters and heat pumps.
- Improvements made to second homes and vacation homes qualify (must be personal use property).
- The annual limit is \$1,200. There are some further annual limitations based on improvement type (i.e. \$500 annual limit for exterior doors and \$600 annual limit for windows and skylights).
- \$150 credit is available for home energy audits.
- For credit claims in 2024 and after, a manufacturer identification number will be required to claim the credit.

Clean Vehicle Credit (previously the Qualified Plug-In Electric Drive Motor Vehicles Credit)

The passage of IRA eliminated the manufacturer 200,000 sales limit and expanded the vehicle credit for autos placed in service on or after 1/1/2023.

- The maximum credit is \$7,500 but must meet certain critical materials and battery components requirements, including a requirement that a certain percentage of materials has been produced in the U.S. or a country with which the U.S. has a free trade agreement. If you purchased a clean vehicle before April 18, 2023, there is some transition relief and a partial credit may still be available.
- The final assembly of the vehicle must occur within North America. You can confirm whether your vehicle qualifies using this link <https://afdc.energy.gov/laws/inflation-reduction-act>.
- Income limitations apply (\$300,000 for married filing joint taxpayers; \$150,000 for single taxpayers)
- Beginning in 2024, taxpayers will be able to claim the “credit” as a price reduction directly through the dealer. This avoids waiting to file your tax returns to get the credit, however, the income limitations will still apply! Meaning you may have to pay the IRS back for that price reduction.
- The credit cannot be claimed if the MSRP exceeds \$80,000 for vans, pick-up trucks and/or SUV’s and \$55,000 for all other vehicles.
- You must be the original owner of the car to claim this credit. However, a lower credit is available for used cars. See next section for the Previously Owned Clean Vehicle Credit.

Previously Owned Clean Vehicle Credit

For taxpayers with income below certain limits (\$150,000 married filing joint; \$75,000 single), a credit can now be claimed for the purchase of used clean vehicles bought on or after 1/1/23 through 2033. The credit is equal to 30% of the sales price, up to a \$4,000 maximum credit. Other rules:

- Vehicle must be sold by a licensed dealer (no private party sales).
- The vehicle must be sold for \$25,000 or less.
- Only the first resale of the vehicle qualifies.
- The vehicle’s model year must be at least two years earlier than the calendar year in which it is purchased.
- The credit can only be claimed once every three years (based on date of sale, not tax year).

Used car dealers will be able to identify which vehicles on their lot will qualify because they must provide credit information concerning the vehicle to the IRS.