

## Inflation Reduction Act 25C Tax Credit

### An Opportunity for Home Improvement with the 25C Energy Efficiency Home Improvement Credit

Homeowners can save more than ever on energy-efficient home improvements thanks to the Inflation Reduction Act (IRA). The IRA includes many different tax provisions focused on energy and climate reform. Specific to homeowners, the IRA extended and expanded the 25C tax credit, renamed the Energy Efficient Home Improvement Credit, which offers up to \$3,200 in annual tax credits for qualified energy-efficient improvements.

### Qualified Energy-Efficient Improvements

The modified and extended 25C provision increased the credit range from 10% to 30% of the costs for all eligible home improvements made during the year, up to \$3,200. If homeowners spread out qualifying home projects, they can claim the maximum credit annually. There is a total limit of \$1,200 for any combination of home envelope improvements (windows/doors/skylights, insulation, electrical) plus furnaces, boilers and central air conditioners. Any combination of heat pumps, heat pump water heaters and biomass stoves/boilers are subject to an annual total limit of \$2,000.



### Henry® Can Help

Henry offers a range of Building Envelope System solutions for exterior remodeling projects that deliver on the promise of a weathertight, energy-efficient home. From window and door replacements to siding projects, Henry products help complete the job and qualify for the 25C tax credit by reducing air leakage and creating a more comfortable home.

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Eligible Improvement		Credit Calculated on Cost	Maximum (\$) Credit	Notes
Home Envelope Improvements	Insulation & Air Sealing	30%	\$1,200	Eligible products include spray foam, housewrap, and sealant. Homeowners must obtain a copy of the Manufacturers Certification Statement for their records verifying that components qualify for the tax credit.
	Windows & Skylights	30%	\$600	Exterior windows or skylights must meet the ENERGY STAR Most Efficient criteria. Visit <a href="https://www.energystar.gov">energystar.gov</a> for a list of eligible windows. <a href="https://www.energystar.gov/products/most_efficient/vertical_slider_windows">https://www.energystar.gov/products/most_efficient/vertical_slider_windows</a>
	Exterior Doors	30%	\$500	Exterior doors must be ENERGY STAR certified to qualify for this tax credit. Homeowners can claim \$250 per door up to \$500.
Home Energy Audit (see requirements below)		30%	\$150	Energy audits help pinpoint where homes are losing energy. The audit must identify the most significant and cost-effective energy efficiency improvements, including an estimate of the energy and cost savings for each improvement, and be conducted and prepared by a certified home energy auditor.
Central Air Conditioner, Hot Water Boiler, Furnace (Natural Gas, Oil), and Water Heater (Natural Gas, Oil, Propane)		30%	\$600	In addition to tax incentives, homeowners may be eligible for rebates for ENERGY STAR certified products Visit <a href="https://www.energystar.gov">energystar.gov</a> for more information. Visit <a href="https://www.energystar.gov/rebate-finder">energystar.gov</a> for more information. <a href="https://www.energystar.gov/rebate-finder">https://www.energystar.gov/rebate-finder</a> .
Biomass Stove / Boiler, Heat Pump Water Heater, and Air Source Heat Pump		30%	\$2,000	

For more information regarding eligible products, visit [energystar.gov](https://www.energystar.gov). Labor costs for installing building envelope components don't qualify for the credit.

The IRA amendments expanded the types of expenditures eligible for section 25C to include home energy audits, which credits 30% of the cost for a home energy audit up to \$150 per year. Taxpayers must follow the requirements set forth in IRS Notice 2023-59, which include:

- The guidance described in IRS Notice (2023-59) applies to home energy audits conducted after December 31, 2023. The IRS will provide the public an opportunity to review and comment on this subject when regulations are proposed.
- Home energy audits must, among other requirements, be conducted or supervised by "Qualified Home Energy Auditors."
- Home energy audits that meet the criteria in section 25C and are conducted after December 31, 2022, and before or on December 31, 2023, do not require the home energy auditor to be a Qualified Home Energy Auditor as listed (<https://www.energy.gov/eere/buildings/us-department-energy-recognized-home-energy-auditor-qualified-certification-programs>).
- As described in section 3.02 of the Notice, the home energy audit must: (1) identify the most significant and cost-effective energy efficiency improvements and (2) be conducted and prepared by a Qualified Home Energy Auditor or under the supervision of a Qualified Home Energy Auditor, (3) the written report is prepared and signed by a Qualified Home Energy Auditor, and (4) the audit aligns with the most recent Department of Energy (DOE)-led and industry-validated Jobs Task Analysis.
- Per section 4.02 of the Notice, the Qualified Home Energy Auditor must identify their certification on the written report to the household.

Certified RESNET® HERS® are specifically recognized by the U.S. Department of Energy to conduct the energy audits for the tax credit between January 1 and December 31, 2023.

To view the IRS notice, click on Notice 2023-59, Guidance on Requirements for Home Energy Audits for Purposes of the Energy Efficient Home Improvement Credit under Section 25C ([irs.gov](https://www.irs.gov))

## References

Energy Efficient Home Improvement Credit. Internal Revenue Service. (n.d.). Retrieved April 19, 2023, from <https://www.irs.gov/credits-deductions/energy-efficient-home-improvement-credit>

[www.whitehouse.gov](https://www.whitehouse.gov). (n.d.). Retrieved April 19, 2023, from <https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf>

Home Energy Audit Requirements