



## #Sustainability : Energy Efficient Federal Tax Credits

Did you know that there are federal tax credits available for making energy efficiency home improvements? There are two types of tax credits currently available:

- Energy Efficient Home Improvement Credit
- Residential Clean Energy Property Credit.

They cover different improvements and have different rules, so it's important to familiarize yourself with all the details so you can maximize your tax credits.

For more information, refer to these links from the IRS and Rewiring America:

[Frequently asked questions about energy efficient home improvements and residential clean energy property credits \(irs.gov\)](#)  
[CTF Assets Fact Sheet.pdf](#)

Note that [TechCleanCalifornia](#), [Bayren](#) (Bay Area Regional Energy Network), [Peninsula Clean Energy](#), and [PG&E](#) also offer rebates, home checkups, and up to \$10,000 interest-free loans for energy efficiency improvements. The PCE rebates are particularly generous (\$3000-\$4000 for heat pumps and hot water HPs). Be sure to contract with a Bayren-approved contractor so they can help you get your maximum credits and rebates. Bayren provides a free home energy advisor and has a list of energy professionals ([Bayren Energy Professionals](#)). The Switch is On [website](#) can also help you find out what rebates are available to go all electric.

This article only covers tax credits. Note that the tax credits are calculated *after* you subtract your rebates.

The following is a quick summary of the most important aspects of the two energy tax credits: (please refer to this [IRS link](#) for more specific details.)

**Under the Energy Efficient Home Improvement Credit:** a taxpayer may not carry the credit forward. Thus, if a taxpayer does not have sufficient tax liability to claim all or a portion of the credit in the year in which the related property for which the qualifying expenditure is placed in service, the unused amount of the credit may never be claimed. The credit only applies to owner-occupied existing homes. The aggregate yearly tax credit maximum is \$1200 except that if you install an electric heat pump water heater or an electric heat pump, you can get a separate aggregate yearly credit limit of \$2,000. Thus, the maximum total yearly energy efficient home improvement credit amount may be up to \$3,200. The credit runs from Jan 1, 2023, until 2032. The credit applies in the year the item is put into service. The credit can be claimed each year that new improvements are made.

The credit covers:

- Building envelope components such as insulation and air sealing materials, windows, and doors. It only covers the material cost not the labor. Each item has a specific maximum such as 30% of the cost of an energy efficient window up to a maximum of \$250 each up to a total of \$500 total.
  - Home energy audits (30% of costs up to \$150).
  - Energy property (water heaters, furnaces, electrical panel improvements for energy property). Energy property improvements includes labor costs. Each item has a specific maximum. (30% of costs, including labor, up to \$600 for each item).
  - Heat pumps (30% of costs including labor up to \$2000). Be sure to confirm that the chosen heat pump complies with the required standards.
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- Under the Residential Clean Energy Property Credit: a taxpayer may carry forward the unused amount of the credit to reduce tax liability in future tax years. (includes labor). The credit only applies to owner-occupied homes but can apply to both existing and newly constructed homes. The credit began Jan 1, 2022, and extends until 2032.
    - Solar panels
    - Fuel cells
    - Solar water heating
    - Wind energy
    - Battery storage

Start planning your home improvements to make your home more energy efficient, more comfortable, less toxic, and less planet destroying! The key is planning now (and even installing any necessary outlets or potential electrical panel upgrades), so you are prepared in the event your hot water heater or furnace fails. Energy efficient upgrades are important to keep our planet habitable and your house comfortable.