



A NARI Member's Guide to the Inflation Reduction Act

Homeowners investing in remodeling projects in the new year could save money based on some of the aspects of the Inflation Reduction Act that became law in August 2022. The legislation includes tax credits on certain products to help combat climate change by reducing energy costs, increasing cleaner methods of production, and reducing carbon emissions.

This high-level summary is being provided to NARI members by the Government Affairs committee, to give you a leg up on understanding the parameters of this legislation and how it might impact your business over the next ten years and represents our best current interpretation of the law based on articles that have been published.

Remodelers can add extra value to their services to homeowners by helping them navigate the available incentives. The bill has many aspects, but three are of particular interest to remodelers.

- 1) EEHIC (Energy Efficient Home Improvement Credit) Tax Credits (with restrictions on totals that can be claimed)
- 2) RCEC (Residential Clean Energy Credit) Tax Credits (with percentage limits but no dollar limits and no homeowner income restrictions)
- 3) HEEHR (High Efficiency Electric Home Rebate) Rebates (with restrictions on homeowner income)

Energy Efficient Tax Credits

Homeowners may be eligible for energy efficient home improvement tax credits under the IRA's EEHIC. Different amounts are available in different categories; tax credits from different categories can be combined. However, there is a \$1200 annual limit on the tax credits - so it is important that remodelers do not promise homeowners that they will always receive the full amount of each tax credit. This is in keeping with NARI's Code of Ethics.

Beginning in 2023, the EEHIC credit will be equal to 30 percent of the costs for all eligible home improvements made during the year—up to a \$1,200 annual limit—although some additional limits will apply.

- Energy audits (\$150 max, per year)
- Exterior doors (\$250 per door, \$500 max)
- Exterior windows and skylights (\$600)
- Electric or natural gas heat pump water heaters, heat pumps, biomass stoves and boilers (Up to \$2000 – and for this one category, the \$1200 limit may be exceeded)

Residential Clean Energy Credits

These credits apply to systems that use solar, wind, geothermal, biomass or fuel cell power to produce electricity: Solar installations could be a big opportunity for NARI members and the customers they typically serve, because according to Qualified Remodeler, “The credit is retroactive to the start of 2022. This means that solar installations completed between the ten-year period from Jan. 1, 2022, and Dec. 31, 2032, should qualify for the 30 percent credit. What’s particularly unique about the credit is that there’s no dollar limit: A customer is entitled to the 30 percent tax break whether they are spending \$25,000 or \$125,000 on the residential solar system—and there is no income level restriction.”

Additional information about this tax credit can be found here:

<https://www.consumerreports.org/home-garden/alternative-energy/how-the-residential-clean-energy-solar-tax-credit-works-a1771685058/#:~:text=What%20is%20the%20Solar%20Tax,30%20percent%20of%20eligible%20expenses.>

High-Efficiency Electric Home Rebate

Some homeowners may also be able to take advantage of the IRA’s HEEHR program that is aimed to help lower and middle-income households (household income must be less than 150% of the state median income), so this may not apply to all clients that NARI members typically serve.

The rebates will apply at the point of sale and are to be administered by state-level agencies (which have yet to be established) and may not be easily accessible until late 2023 or early 2024. They include:

- Heat pump water heaters (up to \$1750)
- Heat pump for space heating or cooling (up to \$8000)
- Electric stoves, cooktops, ranges, ovens, or clothes dryers (up to \$840)
- Breaker box upgrades (up to \$4000)
- Insulation air sealing and ventilation (up to \$1600)
- Electric wiring (up to \$2500)

NARI’s Government Affairs Committee will continue to monitor the rollout of this legislation and how it is impacting our members. We will share additional relevant updates as warranted. Once again, this message contains an overview of the benefits, not meant to be all-inclusive, and represents our best current interpretation of the provisions of the Inflation Reduction Act that will be relevant to Remodelers.

Additional information:

<https://www.qualifiedremodeler.com/product-trends-opportunity-of-a-lifetime/>

<https://www.reuters.com/legal/legalindustry/inflation-reduction-act-renewable-energy-development-its-advantages-limitations-2022-09-23/>