



Inflation Reduction Act (IRA) Eligibility Information for Tax Incentives for Residential Development and Construction

| | 45L New Energy Efficient Home Tax Credit | 45L New Energy Efficient Home Tax Credit Bonus (Zero Energy) | 25C Energy Efficient Home Improvement Tax Credit | 25D Residential Clean Energy Tax Credit | 179D Tax Deduction EE Buildings (Traditional) | 179D Tax Deduction for EE Buildings ("Alternative Deduction" for Retrofits) |
|--|--|--|--|--|---|---|
| Summary | <ul style="list-style-type: none"> Credit to incentivize energy-efficient new residential construction, including multifamily | <ul style="list-style-type: none"> Increased incentive above 45L base credit for new residential construction (including multifamily) achieving even higher levels of energy efficiency | <ul style="list-style-type: none"> Credit equal to 30% of the costs of qualifying energy efficient home improvements | <ul style="list-style-type: none"> Credit equal to a percentage of the costs of new, qualifying clean energy property expenses 30% thru 2032; 26% in 2033; 22% in 2034 | <ul style="list-style-type: none"> Deduction to incentivize energy efficient commercial and multifamily buildings | <ul style="list-style-type: none"> Deduction to incentivize energy efficient commercial and multifamily buildings |
| Eligible buildings | <ul style="list-style-type: none"> Newly constructed and substantially rehabilitated residential buildings Mixed-use must be >50% residential | <ul style="list-style-type: none"> Newly constructed and substantially rehabilitated residential buildings Mixed-use must be >50% residential | <ul style="list-style-type: none"> Existing U.S. homes where filer lives most of the time | <ul style="list-style-type: none"> New or existing U.S. homes where filer lives most of the time | <ul style="list-style-type: none"> Buildings within the scope of ASHRAE Standard 90.1-2007 | <ul style="list-style-type: none"> All building types (must be at least 5 years old) |
| Compliance path(s) or qualifying expenses (varies by building type) | <ul style="list-style-type: none"> ENERGY STAR SFNH ENERGY STAR MFNC ENERGY STAR Manufactured | <ul style="list-style-type: none"> DOE Zero Energy Ready Homes DOE Zero Energy Ready Multifamily | <ul style="list-style-type: none"> Qualifying expenses listed below (up to annual limit) No lifetime dollar limit Nonrefundable (credit amount can't exceed amount owed in tax) Filers cannot toll excess unused credit to reduce tax owed in future years | <ul style="list-style-type: none"> Qualifying expenses listed below No annual or lifetime dollar limit (except for fuel cells) Nonrefundable (credit amount can't exceed the amount owed in tax) Filers may toll excess unused credit to reduce tax owed in future years | <ul style="list-style-type: none"> Modeled energy savings at least 25% beyond applicable ASHRAE 90.1 baseline (incentive based on sliding scale): Before 01/01/2023: ASHRAE 90.1-2007 After 01/01/2023: ASHRAE 90.1-2019 | <ul style="list-style-type: none"> Demonstrated energy savings at least 25% above the building's measured site energy use intensity (EUI) before retrofit |
| Amount | <ul style="list-style-type: none"> Single-Family: \$2,500/home Multifamily: \$500/unit (\$2,500/unit if prevailing wage requirements are met) | <ul style="list-style-type: none"> Single-Family: \$5,000/home Multifamily: \$1,000/unit (\$5,000/unit if prevailing wage requirements are met) | Maximum credit of \$3,200 per year: <ul style="list-style-type: none"> \$2,000 limit (heat pumps, heat pump water heaters, biomass stoves/boilers) \$1,200 limit (insulation/air sealing, A/C units, furnaces/boilers, water heaters, electric panel/circuit upgrades, windows/skylights, exterior doors up to \$250 per door, home energy audits up to \$150) | Qualifying expenses: <ul style="list-style-type: none"> Solar electric panels Solar water heaters Wind turbines Geothermal heat pumps Fuel cells Battery storage technology | Sliding scale depending on efficiency gain above applicable baseline: <ul style="list-style-type: none"> \$0.50 to \$1.00 per sf \$2.50 to \$3.00 per sf (if prevailing wage and apprenticeship hiring requirements are met) | Sliding scale depending on efficiency gain above applicable baseline: <ul style="list-style-type: none"> \$0.50 to \$1.00 per sf \$2.50 to \$3.00 per sf (if prevailing wage and apprenticeship hiring requirements are met) |
| Applicability by building type (new buildings) | <ul style="list-style-type: none"> Single-Family Homes Townhomes 3-Story Multifamily 4-Story Multifamily Manufactured Homes | <ul style="list-style-type: none"> Single-Family Homes Townhomes 3-Story Multifamily 4-Story Multifamily | N/A to new homes | <ul style="list-style-type: none"> Single-Family Homes Townhomes Multifamily apartments | <ul style="list-style-type: none"> 4-Story Multifamily | N/A |
| Applicability by building type (existing buildings >5 years) | <ul style="list-style-type: none"> Single-Family Homes Townhomes 3-Story Multifamily 4-Story Multifamily Conversion (Comm to Res) | <ul style="list-style-type: none"> Single-Family Homes Townhomes 3-Story Multifamily 4-Story Multifamily Conversion (Comm to Res) | <ul style="list-style-type: none"> Single-Family Homes Townhomes Multifamily apartments | <ul style="list-style-type: none"> Single-Family Homes Townhomes Multifamily apartments | Either: 179D Traditional or Retrofit (but not both): <ul style="list-style-type: none"> 4-Story Multifamily Conversion (Comm to Res) | Only if residence <u>not</u> used by taxpayer: <ul style="list-style-type: none"> Single-Family Homes Townhomes 3-Story Multifamily Either: 179D Traditional or Retrofit (but not both): <ul style="list-style-type: none"> 4-Story Multifamily Conversion (Comm to Res) |
| Stacking eligibility (programs in this table to combine with) | <ul style="list-style-type: none"> 179D Traditional 179D Retrofit Section 48 ITC 30C EV TC | <ul style="list-style-type: none"> 179D Traditional 179D Retrofit | <ul style="list-style-type: none"> 179D Retrofit (only if taxpayer is property owner) | <ul style="list-style-type: none"> 45L Base (new homes; only if taxpayer is property owner) 45L Bonus Zero Energy (new homes; only if taxpayer is property owner) 179D Traditional (only if taxpayer is property owner) 179D Retrofit (only if taxpayer is property owner) | <ul style="list-style-type: none"> 45L Base (new MF only) 45L Bonus Zero Energy (new MF only) Section 48 ITC 30C EV TC | <ul style="list-style-type: none"> 45L Base (only if retrofit property is intended for residential rental) 45L Bonus Zero Energy (only if retrofit property is intended for residential rental) Section 48 ITC 30C EV TC |
| Eligible beneficiary | <ul style="list-style-type: none"> Property Owner Homebuilder | <ul style="list-style-type: none"> Builder Developer Owner | <ul style="list-style-type: none"> Individual taxpayer, i.e. the home or apartment occupant (either owner or renter) Landlords and property owners who do not live in the home are NOT eligible | <ul style="list-style-type: none"> Individual taxpayer, i.e. the home or apartment occupant (either owner or renter) Landlords and property owners who do not live in the home are NOT eligible | <ul style="list-style-type: none"> Property Owner ("Taxpayer") | <ul style="list-style-type: none"> Property Owner ("Taxpayer") |
| Transferrable? | No | No | No | No | Yes (but not for private owners) | Yes (but not for private owners) |
| Incentive claim window | Certification | Certification | Tax year qualifying equipment installed | Tax year qualifying equipment installed | Tax year equipment went into service | 1 year after plan achieves target EUI |
| Incentive funded through | 12/31/2032 | 12/31/2032 | 12/31/2032 | 12/31/2034 | No expiration | No expiration |
| Legislation section | IRA Sec. 13304 | IRA Sec. 13304 | IRA Sec. 13301 | IRA Sec. 13302 | IRA Sec. 13303 | IRA Sec. 13303 |

For more, visit: <https://www.nahb.org/advocacy/industry-issues/inflation-reduction-act>

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