



**Communications & Liaison
STAKEHOLDER LIAISON**

Inflation Reduction Act: Clean Vehicle Credits

Richard Furlong, Jr.
Senior Stakeholder Liaison

**47th Annual Delaware Federal and State Tax Institute
December 5, 2023**



Objectives

- *Inflation Reduction Act Goals*
- *Clean Vehicle Tax Credit (IRC § 30D)*
- *Previously Owned Clean Vehicle Credit (IRC § 25E)*
- *Commercial Clean Vehicle Credit (IRC § 45W)*
- *Requirements for Dealers or Sellers of Clean Vehicles*
- *IRS Clean Vehicle Resources:*

www.irs.gov/cleanvehicles



Background

The Inflation Reduction Act of 2022 is one of the most ambitious pieces of climate legislation in U.S. history.

One of its goals is to make electric vehicles more affordable through three clean vehicle tax credits



Background

H.R. 5376, Inflation Reduction Act (IRA) of 2022

- Changed and renamed existing tax credit (30D)
 - Plug-in electric drive motor vehicle
 - Renamed to “clean vehicle credit”– added fuel cell vehicles with electric drive motor provided in **§ 30D**
- Added a new credit (25E)
 - Previously-owned clean vehicles under **§ 25E**
- Added new credit (45W)
 - Qualified commercial clean vehicles under **§ 45W**



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After

Who Qualifies:

- A Taxpayer may qualify for a credit up to \$7,500 if they buy a new qualified electric vehicle.
- The Inflation Reduction Act of 2022 changed the rules for this credit for vehicles purchased from 2023 to 2032. This is now referred to as the ***New Clean Vehicle Credit***



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

To qualify, the taxpayer must:

- Buy it for their own use, not for resale
- Use it primarily in the U.S.



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

Modified Adjusted Gross Income Limitations:

Modified adjusted gross income (MAGI) may not exceed:

- \$300,000 for married couples filing jointly
- \$225,000 for heads of households
- \$150,000 for all other filers

**Taxpayer can use their modified AGI from the year they take delivery of the vehicle or the year before, whichever is less. If their income is below the threshold for one of the two years, they can claim the credit.*



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

Qualified Vehicles

To qualify, a vehicle must:

- Have a battery capacity of at least 7 kilowatt hours
- Have a gross vehicle weight rating of less than 14,000 pounds
- Be made by a qualified manufacturer.
- Undergo final assembly in North America

Fuel Cell Vehicles (FCVs) do not need to be made by a qualified manufacturer to be eligible. But qualified manufacturers of EVs must also report for their FCVs. See [Rev. Proc. 2022-42](#) for more detailed guidance.



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

A list of eligible clean vehicles may be found at federal government's website:

<https://www.fueleconomy.gov/feg/tax2023.shtml>



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

The sale qualifies only if:

- The taxpayer buys the vehicle new
- The seller reports required information to the taxpayer at the time of sale and to the IRS.
- Sellers are required to report the buyer's name and taxpayer identification number to the IRS for you to be eligible to claim the credit.



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

In addition, the vehicle's manufacturer suggested retail price (MSRP) can't exceed:

- \$80,000 for vans, sport utility vehicles and pickup trucks
- \$55,000 for other vehicles

MSRP is the retail price of the automobile suggested by the manufacturer, including options, accessories and trim installed by manufacturer. Excludes destination fees. It isn't necessarily the contract price



IRC 30D Credit for New Clean Vehicles

Purchased in *2023 or After (Cont.)*

- To confirm whether a vehicle is a van, sport utility vehicle, pickup truck or other, see **Plug-in Electric and Fuel Cell Electric Vehicles Purchased in 2023 or After**
- You can find the vehicle's weight, battery capacity, final assembly location (listed as “final assembly point”) and VIN on the vehicle's window sticker.
- To check online if a specific vehicle meets the requirements for final assembly location, go to the Department of Energy's page on **Electric Vehicles with Final Assembly in North America** and use the VIN Decoder tool under "Specific Assembly Location Based on VIN."



Proposed IRC 30D Regulations

- Published in Federal Register on April 18, 2023
- For purchases of new clean vehicles after the publication of these proposed regulations there will be two new requirements to calculate the amount of the credit



Proposed IRC 30D Regulations:

The amount of the tax credit for the purchase of a new clean vehicle is equal to the total amount determined based on two factors:

1. The critical minerals used in the battery from which the EV or FEV draws electricity, a factor that may account for a maximum credit of \$3,750
2. The battery components, a manufacture/assembly factor that may account for a maximum credit of \$3,750.



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

Seller *must* provide specific information to the taxpayer purchasing the clean vehicle:

- Name and taxpayer identification number of the taxpayer
- Vehicle identification number of the new clean vehicle
- Battery capacity of the new clean vehicle
- Verification that the taxpayer is the original user of the new clean vehicle
- Name and taxpayer identification number of the seller
- The date of the sale and the sales price of the vehicle
- Maximum credit allowable for the new clean vehicle being sold
- For sales after December 31, 2023, the amount of any transfer credit applied to purchase
- A declaration under penalties of perjury from the seller



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

How to Claim the Credit:

- File Form 8936 (check back soon for a revised Form 8936) that will be completed to claim the new clean vehicle credit for vehicles placed in service in 2023 and later)
- The taxpayer will need to provide the vehicle's VIN
- Along with make, model, model year and placed in service date



IRC 25E Credit for Previously Owned Vehicles

- Beginning January 1, 2023, a taxpayer who purchases a qualified previously owned electric vehicle (EV) or fuel cell vehicle (FCV) from a licensed dealer for \$25,000 or less, may be eligible for a previously owned clean vehicle tax credit .
- The credit equals 30% percent of the sale price up to a maximum credit of \$4,000.
- The credit is nonrefundable, so the buyer cannot get back more on the credit than the buyer owe in taxes. The taxpayer cannot apply any excess credit to future tax years.
- Purchases made before 2023 don't qualify.



IRC 25E Credit for Previously Owned Vehicles (Cont.)

Who Qualifies

To qualify for a credit for purchasing a previously owned clean vehicle (EV) or a fuel cell vehicle (FCV) the taxpayer must:

- Be an individual who bought the vehicle for use and not for resale
- Not be the original owner
- Not be claimed as a dependent on another person's tax return
- Not have claimed another previously owned clean vehicle credit in the 3 years before the purchase date



IRC 25E Credit for Previously Owned Vehicles (Cont.)

Modified adjusted gross income (MAGI) may not exceed:

- \$150,000 for married filing jointly or a surviving spouse
- \$112,500 for heads of household
- \$75,000 for all other filers

Taxpayers may use their modified AGI from the year they take delivery of the vehicle or the year before, whichever is less. If the taxpayer's income is below the threshold for one of the two years, the taxpayer can claim the credit.



IRC 25E Credit for Previously Owned Vehicles (Cont.)

To qualify, a vehicle must meet all these requirements:

- Have a sale price of \$25,000 or less
- Have a model year at least 2 years earlier than the calendar year when you buy it. For example, a vehicle purchased in 2023 would need a model year of 2021 or older.
- Not have already been transferred after August 16, 2022, to a qualified buyer
- Have a gross vehicle weight rating of less than 14,000 pounds
- Be an eligible FCV or plug-in EV with a battery capacity of least 7 kilowatt hours
- Be for use primarily in the United States



IRC 25E Credit for Previously Owned Vehicles (Cont.)

Qualified Vehicles and Sales

The sale qualifies only if:

- The vehicle is purchased from a dealer
- For qualified previously owned EVs, the dealer reports required information to the buyer at the time of sale and to the IRS.

A dealer is a person licensed to sell motor vehicles in a state, the District of Columbia, the Commonwealth of Puerto Rico, any other territory or possession of the United States, an Indian tribal government, or any Alaska Native Corporation.



IRC 25E Credit for Previously Owned Vehicles (Cont.)

Qualified Vehicles and Sales

Required information includes:

- Dealer's name and taxpayer ID number
- Buyer's name and taxpayer ID number
- Sale date and sale price
- Maximum credit allowable under IRC 25E
- Vehicle identification number (VIN), unless the vehicle is not assigned one
- Battery capacity



IRC 25E Credit for Previously Owned Vehicles (Cont.)

How to Claim the Credit:

- File Form 8936 (check back soon for a revised Form 8936) that will be completed to claim the used clean vehicle credit for vehicles placed in service in 2023 and later)
- The vehicle's VIN should be entered on Form 8936
- Also, the make, model, model year and placed in service date are entered on Form 8936



IRC 45W Credit for Commercial Clean Vehicles

Businesses and tax-exempt organizations that buy a qualified commercial clean vehicle may qualify for a clean vehicle tax credit of up to \$40,000 under Internal Revenue Code (IRC) § 45W

The credit equals the lesser of:

- 15% of the tax basis in the vehicle (30% if the vehicle is not powered by gas or diesel) or
- The incremental cost of the vehicle

The maximum credit is \$7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and \$40,000 for all other vehicles.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

Who Qualifies:

- Businesses and tax-exempt organizations qualify for the credit.
- There is no limit on the number of credits the business can claim.
- For businesses, the credits are general business credits and non-refundable, which means the business cannot get back more on the credit than you owed in taxes. However, this credit may be carried over to a subsequent year.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

To qualify, a vehicle must be subject to a depreciation allowance, with an exception for purchased vehicles placed in service by a tax-exempt organization.

The vehicle must also:

- Be made by a qualified manufacturer as defined in IRC 30D(d)(1)(C). Qualified manufacturers list is at [IRS.gov](https://www.irs.gov)
- Be for use in the business and not for resale
- Be for use primarily in the United States
- Not have been allowed a credit under IRC sections 30D or 45W



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

In addition, the vehicle must either be:

1. Treated as a motor vehicle for purposes of Title II of the Clean Air Act and manufactured primarily for use on public roads (not including a vehicle operated exclusively on a rail or rails);
2. Mobile machinery as defined in IRC 4053(8) (including vehicles that are not designed to perform a function of transporting a load over a public highway)



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

The vehicle or machinery must also either be:

1. A plug-in electric vehicle that draws significant propulsion from an electric motor with a battery capacity of at least:
 - 7 kilowatt hours if the gross vehicle weight rating (GVWR) is under 14,000 pounds
 - 15 kilowatt hours if the GVWR is 14,000 pounds or more; or
2. A fuel cell motor vehicle that satisfies the requirements of IRC 30B(b)(3)(A) and (B)



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

Claiming the Credit:

- IRS is finalizing a form for you to claim the credit. Please check back to www.irs.gov/cleanvehicles for updates.
- You will need to provide your vehicle's VIN along with the amount of the credit.
- The depreciable basis of the vehicle is reduced by the amount of the commercial clean vehicle credit you receive.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

How to Claim the Credit:

- File Form 8936 (check back soon for a revised Form 8936) that should be completed to claim the commercial clean vehicle credit for vehicles placed in service in 2023 and later)
- The vehicle's VIN will be reported on Form 8936
- Along with make, model, model year and placed in service date
- The depreciable basis of the vehicle is reduced by the amount of the commercial clean vehicle credit received



Clean Vehicle Resources

- [Frequently Asked Questions About the New, Previously-Owned and Qualified Commercial Clean Vehicles Credit Publication](#)
- [Publication 5724, Credit for Previously Owned Clean Vehicles](#)
- [Publication 5724-A, Credit for Clean Vehicles](#)
- [Publication 5724-B, Credit for Commercial Clean Vehicles](#)
- [Publication 5724-D, Credit for Previously Owned Clean Vehicles](#)
- [Publication 5724-E, Credit for Clean Vehicles, Poster](#)
- [Publication 5724-F, Credit for Commercial Clean Vehicles](#)

WWW.IRS.GOV/CLEANVEHICLES

IRS Publication 5724-G



IRS Clean Vehicle Credit Reference Chart

Eligibility

	Clean Vehicle Credit	Used Clean Vehicle Credit
Eligible Taxpayers	Individuals and certain commercial taxpayers	Individuals (Limited to one credit every 3 years)
Maximum Credit Amount	\$7,500 \$3,750 for vehicles meeting the critical minerals requirement \$3,750 for vehicles meeting the battery components requirement See Qualifying Vehicles at FuelEconomy.gov	Lesser of \$4,000 or 30% of the sales price
Taxpayer's Income Limits	Credit is allowed if modified adjusted gross income (MAGI) for the year the credit is claimed or the prior tax year is less than: <ul style="list-style-type: none"> ■ \$300,000 (married filing jointly or qualifying surviving spouse) ■ \$225,000 (head of household) ■ \$150,000 (all other filers) 	Credit is allowed if modified adjusted gross income (MAGI) for the year the credit is claimed or the prior tax year is less than: <ul style="list-style-type: none"> ■ \$150,000 (married filing jointly or qualifying surviving spouse) ■ \$112,500 (head of household) ■ \$75,000 (all other filers)

IRS Publication 5724-G (Cont'd)

Vehicle Requirements

	Clean Vehicle Credit	Used Clean Vehicle Credit
Manufacturing Location Requirements	Final assembly must occur within North America (effective 8/16/2022)	Not applicable

Claiming the Credit

	Clean Vehicle Credit	Used Clean Vehicle Credit
VIN Reporting Requirements	Seller must file a seller report with the VIN and other information to the IRS & Taxpayers must report the VIN on their tax return	Seller must file a seller report with the VIN and other information to the IRS & Taxpayers must report the VIN on their tax return
Transferability	Taxpayers can elect to transfer credit to an eligible entity (effective after 12/31/2023)	Taxpayers can elect to transfer credit to an eligible entity(effective after 12/31/2023)
Expiration of Credit	12/31/2032	12/31/2032

www.irs.gov/cleanvehicles

IRS Publication 5724-E



Credit for **Clean Vehicles**

What is the **credit for new clean vehicles**?



If you are interested in claiming the clean vehicle credit for purchasing a **new** clean vehicle after Aug. 16, 2022, a tax credit is available only for qualifying clean vehicles.

Here is what you should know:

- The maximum amount of the credit is \$7,500 per vehicle purchased that year.
 - The amount of the credit allowed can't exceed the amount of tax you owe.
- The credit is allowed for vehicles with manufacturer's suggested retail price less than or equal to:
 - \$80,000* for vans, sport utility vehicles, pick-up trucks
 - \$55,000* for other vehicles

* Base retail price suggested by the manufacturer, plus the retail price suggested by the manufacturer for each accessory or item of optional equipment attached to the vehicle.

IRS Publication 5724-E (Cont'd)

What are the **income limits** for the credit?

You may be eligible for the credit if your modified adjusted gross income* (MAGI) for the current year or prior year is less than or equal to:

- **\$300,000** for married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er)
- **\$225,000** for head of household
- **\$150,000** for all other filers

Modified adjusted gross income means **adjusted gross income increased by any amount excluded from gross income because it was received from a foreign source.*

What clean **vehicles** qualify for the credit?

- Final assembly
 - Final assembly must occur within North America (effective 08/17/2022).
 - To identify the manufacture location for a specific vehicle, go to the *Department of Energy's* page and use the VIN Decoder tool under "Specific Assembly Location Based on VIN."
- Manufacturer: The vehicle manufacturer must be a Qualified Manufacturer. A *Qualified Manufacturers* list is on IRS.gov.
- Battery: The battery must have at least 7 kWh of capacity with external charging gross vehicle weight rating of less than 14,000 lbs.
- Vehicle type: The vehicle must be a plug-in hybrid electric, or electric vehicle, or a hydrogen fuel cell vehicle.



WWW.IRS.GOV/CLEANVEHICLES

IRS Publication 5724-D



Credit for **Previously Owned Clean Vehicles**

What is the credit for a **previously owned clean vehicles**?



If you are interested in claiming the clean vehicle credit for purchasing a **previously owned clean vehicle** beginning in 2023, a tax credit is available only for qualifying clean vehicles.

Here is what you should know:

- The credit is available to all qualified buyers who are not claimed as a dependent on someone else's tax return.
- The maximum amount of the credit is: Lesser of \$4,000 or 30% of the sales price.
- Qualified buyers cannot claim the credit more than once every three years.
- The credit is allowed if the sale price is less than \$25,000.

IRS Publication 5724-D (Cont'd)

What are the **income limits** for the credit?

You may be eligible for the credit if your modified adjusted gross income* (MAGI) for the current year or prior year is less than or equal to:

- **\$150,000** for married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er)
- **\$112,500** for head of household
- **\$75,000** for all other filers

** Modified adjusted gross income means **adjusted gross income** increased by any amount excluded from gross income because it was received from a foreign source.*

What **vehicles** qualify for the credit?

- The previously owned vehicle has a model year at least 2 years earlier than the calendar year when you buy it. For example, a vehicle purchased in 2023 would need a model year of 2021 or older.
- The previously owned vehicle transfer to the qualifying buyer must be the first transfer to a qualified buyer since August 16, 2022.
- The previously owned vehicle must be purchased from a dealer and weigh less than 14,000 pounds.
- The previously owned vehicle must be a plug-in hybrid electric, or electric vehicle, or a hydrogen fuel cell vehicle.



WWW.IRS.GOV/CLEANVEHICLES

IRS Publication 5724-H



IRS

Commercial Clean Vehicle Reference Chart

Eligibility

	Commercial Clean Vehicle Credit
Eligible Taxpayers	Businesses and tax-exempt entities
Maximum Credit Amount	\$7,500 or \$40,000 Credit is limited to the lesser of 15% of the vehicle's cost (30% for vehicles not gasoline or diesel powered) or the incremental cost of the vehicle as compared to vehicles powered with a gasoline or diesel internal combustion engine.
Taxpayer's Income Limits	Not applicable

IRS Publication 5724-H (Cont'd)

Vehicle Requirements

	Commercial Clean Vehicle Credit
Manufacturer	The vehicle manufacturer must be a Qualified Manufacturer .
Price Limits of Vehicle Purchased	Not applicable
Qualifying Vehicles	Clean vehicles and mobile machinery; larger electric vehicles required to have a battery with 15 kWh of capacity; vehicles must be subject to a depreciation allowance (i.e., for business use) except in the case of vehicles used by tax-exempt entities.
Manufacturing Location Requirements	Not applicable

Claiming the Credit

	Commercial Clean Vehicle Credit
VIN Reporting Requirements	Taxpayers must report the VIN on their tax return
Transferability	Not applicable
Expiration of Credit	12/31/2032

www.irs.gov/cleanvehicles

New Clean Vehicle Tax Credit Checklist

The Inflation Reduction Act includes a tax credit for qualifying new clean vehicles – and it can result in major savings. If you've been in the market for a vehicle, now is the perfect time to take advantage of these major savings opportunities for new clean vehicles. Visit fuelconomy.gov/newtaxcredit to learn more and see eligible models.

See requirements below*

How to qualify for the New Clean Vehicle Tax Credit

Purchasing a new clean vehicle		Check all that apply
Taxpayer Eligibility		
Taxpayer income and status	<p>The taxpayer's modified adjusted gross income for either the current or prior year must be:</p> <ul style="list-style-type: none"> ➤ \$300,000 or less for joint filers and surviving spouses, ➤ \$225,000 or less for head of household filers, or ➤ \$150,000 or less for other filers. <p><i>Unsure if you qualify? Consult your tax advisor.</i></p>	
Vehicle Eligibility		
Vehicle type	The vehicle is an electric vehicle, plug-in hybrid electric vehicle, or fuel cell vehicle.	
Vehicle Manufacturer's Suggested Retail Price (MSRP) including options	The MSRP of a pickup truck, van or SUV must be \$80,000 or less; for all other passenger vehicles, \$55,000 or less. See the current list of eligible models and applicable MSRP caps on FuelEconomy.gov and details about optional equipment on IRS.gov .	
Vehicle final assembly location	Final assembly must have occurred in North America. Confirm this by entering the make, model, and year of a vehicle on FuelEconomy.gov or ask your dealer for the Vehicle Identification Number (VIN) of the specific vehicle you have in mind and enter it at the Department of Energy's VIN lookup tool .	
Critical mineral and battery requirements	<p>For vehicles placed in service on or after April 18, 2023, the vehicle must meet the critical minerals requirement (\$3,750 credit).</p> <p>For vehicles placed in service on or after April 18, 2023, the vehicle must meet the critical battery requirement (\$3,750 credit). Visit FuelEconomy.gov to determine credit amount</p>	
Time of sale report (also known as seller report)	Dealer provides buyer a time of sale report (also called a seller report), which will have information such as dealer name, address, VIN, make, model, placed in service date and maximum credit.	

If you checked **ALL** of the above, you may qualify for a full credit of \$7,500 or a partial credit of \$3,750, based on the vehicle's battery and critical mineral requirements. Get more details on the new clean vehicle credits and [check a vehicle's eligibility on FuelEconomy.gov](#).

*Eligible new clean vehicles must weigh less than 14,000 pounds, have at least a 7 kilowatt hours battery, and must have been placed into service starting January 1, 2023, or later. See information on [credits for New Clean Vehicles Purchased in 2023 or After](#) or [credits for New Electric Vehicles Purchased in 2022 or Before](#) on [IRS.gov](https://irs.gov). You must buy the vehicle for your own use, not for resale, and use it primarily in the U.S.

Have more questions?

Visit www.irs.gov/cleanvehicles for more information on the Inflation Reduction Act's clean vehicle tax credits.

Used Clean Vehicle Tax Credit Checklist

The Inflation Reduction Act includes a tax credit for qualifying used clean vehicles – and it can result in major savings. If you've been in the market for a vehicle, now is the perfect time to take advantage of these major savings opportunities for used clean vehicles.

See requirements below*

How to qualify for the Used Clean Vehicle Tax Credit

Purchasing a used clean vehicle		Check all that apply
Taxpayer Eligibility		
Taxpayer income and status	The taxpayer's modified adjusted gross income for either the current year or prior year must be: <ul style="list-style-type: none"> > \$150,000 or less for joint filers and surviving spouses, > \$112,500 or less for head of household filers, or > \$75,000 or less for other filers. 	
Taxpayer status	Taxpayer must be an individual who is not a dependent that is claimed on another taxpayer's tax return and must be buying the vehicle for use and not resale.	
Taxpayer eligibility	Taxpayer must not have claimed this credit in the 3-year period prior to the sale of the qualifying vehicle. <i>Unsure if you qualify? Consult your tax advisor.</i> Note: 2023 is the first year that this credit can be claimed.	
Vehicle Eligibility		
Vehicle type and age	The vehicle is an electric vehicle, plug-in hybrid electric vehicle, or fuel cell vehicle, and the model year is at least two years earlier than the calendar year of your purchase. See the current list of eligible models on FuelEconomy.gov .	
Vehicle sale price and dealer	Vehicle sale price is \$25,000 or less and the vehicle is sold by a licensed dealer registered with the IRS. The sale price of a previously-owned clean vehicle is the total sale price agreed upon by the buyer and seller in a written contract at the time of sale, including any delivery charges and after the application of any incentives, but excluding separately-stated taxes and fees required by State or local law.	
Previous transfer status	To be a qualified sale, a transfer must be the first transfer since August 16, 2022, as shown by vehicle history, of a used clean vehicle after the sale to the person with whom the original use of such vehicle commenced. Check the a vehicle history report. of the vehicle and see frequently asked questions about eligibility rules .	
Time of sale report (also known as seller report)	Dealer provides buyer a time of sale report (also called a seller report), which will have information such as dealer name, address, VIN, make, model, placed in service date, and maximum credit.	

If you checked **ALL** of the above, you may qualify for a tax credit of 30% percent of the sale price up to a maximum of \$4,000. Learn **more about the credit on IRS.gov** and **check a vehicle's eligibility on FuelEconomy.gov**.

*Eligible used clean vehicles must weigh less than 14,000 pounds, have at least a 7 kilowatt hours battery, and must have been placed into service starting January 1, 2023, or later. For more information on the **Used Clean Vehicle Credit** check IRS.gov.



Richard Furlong, Jr.

Senior Stakeholder Liaison

267-941-6343

richard.g.furlong@irs.gov



**Communications & Liaison
STAKEHOLDER LIAISON**

Home and Residential Energy Credits

Richard Furlong, Jr.
Senior Stakeholder Liaison

**47th Annual Delaware Federal and State Tax Institute
December 5, 2023**



Inflation Reduction Act: Clean Energy Tax Credits

- Energy Efficient Home Improvements § 25C
- Residential Clean Energy § 25D



The Inflation Reduction Act of 2022 (IRA) amended the credits for:

- Energy Efficient Home Improvement Credit
- Residential Clean Energy Credit



Energy Efficient Home Improvement Credit (§ 25C)

- Homeowners
- Renters
- Second home used as residence

Not available for homes that you don't use as a residence



Energy Efficient Home Improvement Credit (continued)

30% credit, with a \$1,200 annual credit limit for

- (1) qualified energy efficiency improvements – known as building envelope components, which are described later – installed during the year,
- (2) residential energy property expenditures made during the year, and
- (3) home energy audits conducted during the year (maximum of \$150)

30% credit, with a \$2,000 annual credit limit for

- (1) heat pumps and heat pump water heaters, and
- (2) biomass stoves and boilers.

The credit is allowed for qualifying property placed in service on or after January 1, 2023, and before January 1, 2033.



Building Envelope components:

- Exterior doors
- Exterior windows and skylights
- Insulation and air sealing materials

Qualified Energy Property:

- Central air conditioners
- Natural gas, propane, or oil,
water heaters, furnaces & hot water boilers
- Panel boards & feeders

Home Energy Audits

Qualified Energy Property

- Heat pumps
 - Electric or natural gas heat pumps
 - Electric or natural gas heat pump water heaters
- **Biomass stoves and boilers**



Energy Efficiency Home Improvement Credit limits

\$1200 maximum credit

- Building envelope components – exterior window, doors, skylights and insulation/sealing materials
- Residential Energy Property – Central air, water heaters, furnaces and boilers, panelboards
- Home energy audit

\$2000 maximum credit

- Heat pumps,
- Biomass stoves and
- Biomass boilers

Potential credit \$3200



Energy efficiency requirements – Building envelope components

Windows, Doors, Skylights and Insulation

Windows and Skylights	ENERGY STAR Most Efficient 2023	\$600 across all windows and doors.
Doors	Energy Star	\$250 per doors, \$500 across all doors
Insulation	Most recent international conservation code as of two years prior	No property-specific limit





Energy efficiency requirements – Qualified Energy Property

Heating Ventilation Air Conditioning Systems (HVAC) and Water Heaters

Natural gas, propane or oil water heaters	<u>CEE highest tier below Advanced Tier</u>	\$600 per water heater
Natural gas, propane or oil furnaces or hot water boilers	Oil furnaces and hot water boilers can also qualify if they: During 2023 – 2026 Energy Star and are rated by the manufacturer for use with at least 20% biofuel blends	\$600 per furnace



Energy efficiency requirements - Qualified Energy Property, cont'd

Panels and HVAC

Electric panel (panelboard, sub-panelboard, branch circuit, or feeders)	Installed according to the National Electric Code and have a load capacity of 200 amps or greater	\$600 per property
Central air conditioners	<u>CEE highest tier below Advanced Tier</u>	\$600 per air conditioner (A/C) unit





Energy efficiency requirements Home Energy Audit

- Inspection
- Located in the U.S.
- Written report
- Certified auditor

Home energy audit

Home energy audits

Certified home energy auditor (IRS guidance)

\$150 total



Energy efficiency requirements Qualified Energy Property

Heat pumps and Biomass

Heat pump water heaters	<u>CEE highest tier below Advanced Tier</u>	\$2000 limit total across heat pump water heaters, heat pumps, and biomass stoves. *\$1200 annual limit does not apply
Heat pumps	<u>CEE highest tier below Advanced Tier</u>	
Biomass stoves or biomass hot water boilers	Thermal efficiency rating of <u>at least 75%</u>	



Energy Efficient Home Improvement: recap

- Exterior doors – Energy Star
- Windows and skylights – Energy Star
- Insulation materials,

Heat pumps, water heaters, central air conditioners, furnaces or hot water boilers: Consortium for Energy Efficiency (CEE)



Residential Clean Energy Credit (§ 25D)

The Residential Clean Energy Credit offers more households access to and freedom to choose renewable energy that can lower monthly energy bills and cut air pollution.

- Renters are eligible for certain improvements
- The Residential Clean Energy Credit is based on clean energy “property/equipment” purchased



Residential Clean Energy Credit

30 percent credit for certain qualified expenditures for residential clean energy credit.

- IRA extended the residential clean energy credit through 2034, added battery storage technology
- The credit applies for property placed in service after December 31, 2021, and before January 1, 2035.

The credit percentage rate phases down to:

- 26 percent for property placed in service in 2033,
- 22 percent for property placed in service 2034
- No credit after December 31, 2034.



Residential Clean Energy Credit continued

- Solar credit
- Solar water heating
- Small wind energy
- Geothermal heat pump
- Fuel cell
- Battery storage technology
(beginning with tax year
2023)



Residential Energy Credit continued

- Solar electric property expenditures (solar panels);
- Solar water heating property expenditures (solar water heaters);
- Fuel cell property expenditures;
- small wind energy property expenditures (wind turbines);
- Geothermal heat pump property expenditures; and
- Battery storage technology expenditures.

Fuel Cell Property

max credit of \$500 for each ½ kilowatt of capacity

30% of costs (No dollar limit)



Residential Clean Energy continued

Equipment type	Tax Credit Available for 2022 Tax Year	Updated Tax Credit Available for 2023-2032 Tax Years
Home clean electricity products		
Solar (electricity)	30% of cost	
solar water (heating)		
Fuel Cells*		
Wind Turbine		
Geothermal heat pump		
Battery Storage	N/A	30% of cost





Residential Clean Energy Credit: Energy efficiency requirements

- Solar water heating property: Solar Rating Certification Corporation or a comparable entity
- Geothermal heat pump property: Energy Star program (in effect at time of purchase)

Battery storage technology property: capacity of 3 kilowatt-hours or greater.



Energy Efficient Home Improvement Credit

- Home in the US, owned & principal residence; (doors, windows, skylights, insulation and/or air sealing material or system)
- Home in US, owned or rented and used as a residence (AC/heaters, furnaces, boilers, panelboard, feeders, home audits)
- Existing home and renovation
- Solely used for business – no credit

Residential Clean Energy Credit

- Home located in U.S., owned or rented and used as a residence. Solar expenditures, small wind energy property, geothermal heat pump property, battery storage
- Fuel cell expenditures, principal residence (within the meaning of IRC Section 121)
- Existing home or newly constructed home.
- Solely used for business – no credit



Labor costs calculating credit (rules vary by credit)

Energy Efficient Home Improvement

- Include onsite preparation, assembly, or original installation of residential energy property
- Does not include the labor costs for qualified energy efficient building envelope components including a qualifying insulation material or system, exterior window, skylight, or exterior door.

Residential Clean Energy property

- Include labor costs allocable to the onsite preparation, assembly, or original installation of the qualified property and for piping or wiring to interconnect the qualifying property to the home.



- Nonrefundable
- Used property not eligible
- Labor costs
- Government Subsidies
- Public Utility – reduce cost by amount of subsidy
- Rebates - reduce cost by rebate
- State Energy Incentives – no action



Energy Credits - Timing

- Claim credit in year property is installed
- Building envelope components reasonably can be expected to remain in use for 5 years
- No lifetime limits on credits.
- Carry forward of credit?
 - Energy Efficient Home Improvement Credit – No
 - Residential Clean Energy Property Credit - Yes



How to claim Residential Energy Credits: Form 5695 (2022)

Form 5695 Department of the Treasury Internal Revenue Service	Residential Energy Credits	OMB No. 1545-0074
	Go to www.irs.gov/Form5695 for instructions and the latest information. Attach to Form 1040, 1040-SR, or 1040-NR.	2022 Attachment Sequence No. 158
Name(s) shown on return		Your social security number

Part I Residential Clean Energy Credit (See instructions before completing this part.)

Note: Skip lines 1 through 11 if you only have a credit carryforward from 2021.

1	Qualified solar electric property costs	1	
2	Qualified solar water heating property costs	2	
3	Qualified small wind energy property costs	3	
4	Qualified geothermal heat pump property costs	4	
5	Qualified biomass fuel property costs	5	
6a	Add lines 1 through 5	6a	
6b	Multiply line 6a by 30% (0.30)	6b	
7a	Qualified fuel cell property. Was qualified fuel cell property installed on, or in connection with, your main home located in the United States? (See instructions.)	7a	<input type="checkbox"/> Yes <input type="checkbox"/> No
Caution: If you checked the "No" box, you cannot take a credit for qualified fuel cell property. Skip lines 7b through 11.			
7b	Print the complete address of the main home where you installed the fuel cell property.		
	Number and street Unit No.		
	City, State, and ZIP code		
8	Qualified fuel cell property costs	8	
9	Multiply line 8 by 30% (0.30)	9	
10	Kilowatt capacity of property on line 8 above x \$1,000	10	
11	Enter the smaller of line 9 or line 10	11	
12	Credit carryforward from 2021. Enter the amount, if any, from your 2021 Form 5695, line 16	12	
13	Add lines 6b, 11, and 12	13	
14	Limitation based on tax liability. Enter the amount from the Residential Clean Energy Credit Limit Worksheet (see instructions)	14	
15	Residential clean energy credit. Enter the smaller of line 13 or line 14. Also include this amount on Schedule 3 (Form 1040), line 5	15	
16	Credit carryforward to 2023. If line 15 is less than line 13, subtract line 15 from line 13	16	



Resources

- [Credits and Deductions Under the Inflation Reduction Act of 2022 | Internal Revenue Service \(irs.gov\)](#)
- [FAQs about energy efficient home improvements and residential clean energy property credits | Internal Revenue Service \(irs.gov\)](#)
- [Inflation Reduction Act of 2022 | Internal Revenue Service \(irs.gov\)](#)
- [Tax Credit Legislation | ENERGY STAR](#)
- [H.R.5376 - 117th Congress \(2021-2022\): Inflation Reduction Act of 2022 | Congress.gov | Library of Congress](#)
- [Making Our Homes More Efficient: Clean Energy Tax Credits for Consumers | Department of Energy](#)
- [www.irs.gov/homeenergy](#)



Home Energy Tax Credits

IRS.gov/homeenergy



If you make energy improvements to your home, tax credits are available for a portion of qualifying expenses. The credit amounts and types of qualifying expenses were expanded by the Inflation Reduction Act of 2022.

Who Can Claim the Credits

You can claim the Energy Efficient Home Improvement Credit and the Residential Clean Energy Credit for the year when you purchase and install qualifying improvements.

Homeowners who improve their **primary residence** will find the most opportunities to claim a credit for qualifying expenses. Renters may also be able to claim credits, as well as owners of second homes used as residences.

The credits are never available for improvements made to homes that you don't use as a residence.

Energy Efficient Home Improvement Credit

Qualifying Credit Amounts and Expenses

These expenses may qualify if they meet requirements detailed on [energy.gov](https://www.energy.gov):

- Exterior doors, windows, skylights and insulation materials
- Central air conditioners, water heaters, furnaces, boilers and heat pumps
- Biomass stoves and boilers
- Home energy audits

The amount of the credit you can take is a percentage of the total improvement expenses in the year of installation:

- 2022: 30%, up to a lifetime maximum of \$500
- 2023 through 2032: 30%, up to a maximum of \$1,200 (water heaters, heat pumps, biomass stoves, and boilers have a separate annual credit limit of \$2,000), no lifetime limit

Get details on the [Energy Efficient Home Improvement Credit](https://www.energy.gov).

*For 2022, biomass stoves and boilers are treated as a Residential Clean Energy Credit with no lifetime maximum.

How to Claim the Credit

File Form 5695, Residential Energy Credits Part II, with your tax return. You must claim the credit for the tax year when the improvement is installed (not purchased).

Residential Clean Energy Credit

Qualifying Credit Amounts and Expenses

These expenses may qualify if they meet requirements detailed on [energy.gov](https://www.energy.gov):

- Solar, wind and geothermal power generation
- Solar water heaters
- Fuel cells
- Battery storage (beginning in 2023)

The amount of the credit you can take is a percentage of the total improvement expenses in the year of installation:

- 2022 to 2032: 30%, no annual maximum or lifetime limit
- 2033: 26%, no annual maximum or lifetime limit
- 2034: 22%, no annual maximum or lifetime limit

Get details on the [Residential Clean Energy Credit](https://www.energy.gov).

How to Claim the Credit

File Form 5695, Residential Energy Credits Part I, with your tax return to claim the credit. You must claim the credit for the tax year when the improvement is installed (not purchased).



**Communications & Liaison
STAKEHOLDER LIAISON**

Richard Furlong, Jr.

Senior Stakeholder Liaison

267-941-6343

richard.g.furlong@irs.gov