

Overview of the Inflation Reduction Act

Senate Natural Resources and Energy Committee

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January 31, 2023

DM # ??



JFO

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Big Picture

- The IRA became law on August 16, 2022
- \$369 billion in investments in energy and climate change mitigation
- Largely through tax credits and incentive programs
- List of Credits and guidance on credits can be found on the IRS Website:
 - <https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022>
- The White House Guidebook is also a helpful resource
 - <https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/>
 - A list of IRA funding programs is available on the opening page of the White House Guidebook site



List of credits from IRS website

Credits for Individuals

From purchasing clean vehicles to making your home more energy efficient, the Inflation Reduction Act of 2022 may have a significant effect on your taxes.

- [Credits for New Electric Vehicles Purchased in 2023 and After](#) (added December 29)
- [Credits for New Clean Vehicles Purchased in 2022 and Before](#) (added December 29)
- [Used Clean Vehicle Credit](#) (added December 29)
- [Energy Efficient Home Improvement Credit](#)
- [Residential Clean Energy Credit](#)



List of credits, continued

Credits and Deductions for Businesses

- Advanced Energy Project Credit
- Advanced Manufacturing Investment Credit
- Advanced Manufacturing Production Credit
- Clean Electricity Investment Credit
- Clean Electricity Production Credit
- Clean Fuel Production Credit
- Clean Hydrogen
- Credit for Carbon Oxide Sequestration
- Credit for Electricity Produced from Certain Renewable Resources
- [Credits for New Clean Vehicles Purchased in 2023 and After](#) (added December 29)
- [Credits for New Electric Vehicles Purchased in 2022 and Before](#) (added December 29)
- [Commercial Clean Vehicle Credit](#) (added December 29)
- Elective Payment for Energy Property and Electricity Produced from Certain Renewable Resources
- Energy Credit for Solar and Wind Facilities
- Energy Efficient Commercial Building Deduction
- [Energy Efficient Home Credit](#)
- [Incentives for Biodiesel, Renewable Diesel and Alternative Fuels](#)
- Research Credit against Payroll Tax for Small Businesses
- [Second Generation Biofuel Incentives](#)
- [Sustainable Aviation Fuel Credit](#) (added December 19)
- Zero-Emission Nuclear Power Production Credit



Major Tax Credits for Homes

- Energy Efficiency Home Improvement Credit (13301), U.S. Treasury
 - Provides a 30% tax credit for up to \$3,200 in energy efficient upgrades annually, including heat pumps, insulation, doors and windows, panel upgrades and energy audits; limits on each type and total per year
 - For example, \$2,000 for heat pumps; \$150 for home energy audit
 - Credit amounts decrease after 2032
- Residential Clean Energy Credit (13302)
 - Provides a 30% tax credit for homeowners who install clean residential energy systems, including solar, battery storage, and geothermal.
 - Credit amounts decrease after 2032, step down to 22% in 2034.
- New Energy-Efficient Home Credit (13304)
 - Provides up to \$5,000* in tax credits for homebuilders for each new energy-efficient home and up to \$1,000** for each unit in a multi-family building.
 - *\$2,500 if meet Energy Star standards, \$5,000 for certified zero-energy ready homes
 - **\$500 per unit for Energy Star and \$1,000 per unit for zero-energy ready
 - Available thru 2032



Other Major Incentives affecting Homes

- HOMES = Home Energy Performance-Based, Whole House Rebates (50121), DOE
 - Awarded to state energy offices for rebates to homeowners and aggregators for weatherization or retrofits
 - States may use up to 20 percent for planning, administration, or technical assistance
 - Provides rebates of between \$2,000 to \$8,000 depending on income level and energy savings; DOE issued RFI for input on best practices
 - Cost share requirement depends on income level: 50% if AMI exceeds 80% AMI, 20% if AMI is below 80% AMI
 - Formula grant: FFIS estimates \$29.36 million will come to Vermont, available thru FY 2031
- HEERA = High-Efficiency Electric Home Rebate Act (50122)
 - Awarded to state energy offices for rebates to homeowners and aggregators
 - States may use up to 20 percent for planning, administration, or technical assistance
 - Point of sale rebates of up to \$14,000 on electrification (heat pumps, hot water heaters, etc.); Dept of Energy issued RFI for input on best practices
 - Cost share requirement depends on income level (AMI) and price of the appliance.
 - Formula grant: FFIS estimates \$29.19 million will come to Vermont, available thru FY 2031
- State-Based Home Efficiency Contractor Training Grants (50123)
 - Financial assistance to states to develop and implement a training and education program for contractors involved in installing home energy efficiency and electrification improvement
 - State administrative costs cannot exceed 10 percent; funds available thru FY 2031



Major Incentives available to States

- State-Based Home Efficiency Contractor Training Grants (50123), DOE
 - Financial assistance to states to develop and implement a training and education program for contractors involved in installing home energy efficiency and electrification improvement
 - State administrative costs cannot exceed 10 percent; funds available thru FY 2031
- Assistance for Latest and Zero Building Energy Code Adoption (50131)
 - Grants to states or units of local government to adopt updated building energy codes, including the zero energy code.
 - Funds available thru FY 2029; applies to both residential and commercial buildings
- Energy Infrastructure Reinvestment Financing (50144)
 - Loan guarantees for projects that retool, repower, repurpose, or replace energy infrastructure that has ceased operations or that enable operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases.
 - Funds available thru FY 2026
- Transmission Facility Financing (50151)
 - Direct loan program for transmission facility financing for the construction or modification of electric transmission facilities designated by the Secretary to be in the national interest
 - Funds available thru FY 2030; no disbursements after FY 2031



Major Incentives available to States, continued

- Greenhouse Gas Reduction Fund (60103), EPA
 - Competitive grants to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions, with an emphasis on projects that benefit low-income and disadvantaged communities.
 - Funds available to states and nonprofits thru FY 2024, must begin implementing grant program by Feb 15, 2023
- Climate Pollution Reduction Grants (60114)
 - Grants to Tribes, states, air pollution control agencies, and local governments to develop and implement plans for reducing greenhouse gas emissions.
 - \$250 million (U.S.) for planning grants (at least one to each state), available thru FY 2031
 - \$4,750 billion (U.S.) for implementation grants
- Also: Environmental and Climate Justice Block Grants (60201)
 - Grants and technical assistance to *community-based organizations*, alone or in partnerships, to reduce indoor (wood heater emissions) and outdoor air pollution, including greenhouse gases; monitor for pollution; improve community resilience to the impacts of climate change, including extreme heat and wildfire; and build the capacity of these organizations to engage with state and federal decision-making processes.
 - Funds available thru FY 2026



Major Incentives for Vehicles

- EVs – Clean Vehicle Tax Credit (13401), U.S. Treasury
 - Up to \$7,500 per NEW, depends on source and manufacturing of materials, vehicle price is capped
 - New rules pertaining to final assembly in the United States, critical minerals/battery components, and foreign entities of concern. Per manufacturer limit is lifted.
 - MSRP limits: generally \$55,000; vans, SUVs, pickups \$80,000
 - Not available if AGI exceeds \$300,000 (couples), \$225,000 (head of household), \$150,000 (singles); not adjusted for inflation
 - Funds generally available through 2032
- Credit for Previously-Owned Clean Vehicles (13402)
 - \$4,000 or 30% of purchase price for USED vehicles, whichever is less
 - Not available if AGI exceeds \$150,000 (couples), \$112,500 (head of household), \$75,000 (singles); not adjusted for inflation; claim only once per three years, once per vehicle
 - Funds generally available through 2032



Other Major Incentives related to Vehicles

- Credit for Qualified Commercial Clean Vehicles (13403)
 - 15% of vehicle's cost to purchaser or 30% for non-ICE vehicles, whichever is less
 - Capped at \$7,500 for vehicles under 14,000 lbs; \$40,000 for all other
 - Funds generally available through 2032
- Alternative Fuel Vehicle Refueling Property Credit (13404)
 - Tax credit for alternative vehicle refueling and charging property in low-income and rural areas
 - 30% tax credit for individuals, not to exceed \$1,000; 6% for businesses, not to exceed \$100,000; 30% if meet prevailing wage
 - Available to consumers and businesses; available thru 2032



Reach of IRA Incentives

- Many incentives for homeowners have different levels of rebate depending on income as measured by Area Median Income (AMI)
 - In most cases, full incentives for people earning less than 80% AMI (low income) and reduced incentives for people earning between 80 and 150% AMI (moderate income)
- For example, HEEHRA program covers 100% for low income, 50% for moderate income
- AMI depends on location and number of people in the household
 - \$81,957 in Chittenden County; range is \$65,566 at 80%, \$122,936 at 150%
 - \$48,194 in Essex County; \$38,555 at 80%, \$72,291 at 150%.



Other changes in the IRA

- Increased funding for the IRS – Additional \$80 Billion
 - May result in some improved compliance in Vermont
 - Depends on where the IRS directs the funds
- New corporate minimum tax for corporations with more than \$1 billion in revenue
 - Not likely to impact Vermont corporate revenue
- New 1% excise tax on the value of stock repurchases



Overall Impact on Emissions

- The U.S. Department of Energy (DOE) [estimates](#) that the United States will achieve a 40 percent reduction in economy-wide greenhouse gas emissions below 2005 levels by 2030
 - Relies on IRA as well as Bipartisan Infrastructure Law (IIJA) and other actions
 - Note: GWSA requirement is 40 percent below 1990 levels by 2030
- DOE estimates that the clean energy provisions of the IRA and the IIJA together could reduce emissions by more than 1,000 million metric tons of CO₂e in 2030



Thank you!



Making Homes and Buildings Cleaner and More Efficient

Agency	IRA Section	Tax Code Section	Program Name	Amount
Department of the Treasury	13301	25C	Energy Efficient Home Improvement Credit	-
Department of the Treasury	13302	25D	Residential Clean Energy Credit	-
Department of the Treasury	13304	45L	New Energy Efficient Homes Credit	-
Department of Energy	50121	-	Home Energy Performance-Based, Whole-House Rebates	\$4,300,000,000
Department of Energy	50122	-	High-Efficiency Electric Home Rebate Program	\$4,500,000,000
Department of Energy	50123	-	State-Based Home Efficiency Contractor Training Grants	\$200,000,000



Area Median Income Limits for Vermont, 2022; Low Income

Income Limit AMI 80% and Below; "Low Income;" 2022 https://erap.vsha.org/income-limits/								
County Name	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8 People
Addison County	52450	59950	67450	74900	80900	86900	92900	98900
Bennington County	48000	54850	61700	68550	74050	79550	85050	90500
Burlington/S.Burlington MSA *includes Chittenden, Grand Isle and Franklin Counties	60100	68650	77250	85800	92700	99550	106400	113300
Caledonia County	48000	54850	61700	68550	74050	79550	85050	90500
Essex County	48000	54850	61700	68550	74050	79550	85050	90500
Lamoille County	48000	54850	61700	68550	74050	79550	85050	90500
Orange County	48000	54850	61700	68550	74050	79550	85050	90500
Orleans County	48000	54850	61700	68550	74050	79550	85050	90500
Rutland County	48000	54850	61700	68550	74050	79550	85050	90500
Washington County	51200	58500	65800	73100	78950	84800	90650	96500
Windham County	48000	54850	61700	68550	74050	79550	85050	90500
Windsor County	49350	56400	63450	70500	76150	81800	87450	93100



Area Median Income Limits for Vermont, 2022: Moderate Income

Income Limit AMI 150% but above 80%; "Moderate Income;" 2022								
County Name	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8 People
Addison County	98344	112406	126469	140438	151688	162938	174188	185438
Bennington County	90000	102844	115688	128531	138844	149156	159469	169688
Burlington/S.Burlington MSA *includes Chittenden, Grand Isle and Franklin Counties	112688	128719	144844	160875	173813	186656	199500	212438
Caledonia County	90000	102844	115688	128531	138844	149156	159469	169688
Essex County	90000	102844	115688	128531	138844	149156	159469	169688
Lamoille County	90000	102844	115688	128531	138844	149156	159469	169688
Orange County	90000	102844	115688	128531	138844	149156	159469	169688
Orleans County	90000	102844	115688	128531	138844	149156	159469	169688
Rutland County	90000	102844	115688	128531	138844	149156	159469	169688
Washington County	96000	109688	123375	137063	148031	159000	169969	180938
Windham County	90000	102844	115688	128531	138844	149156	159469	169688
Windsor County	92531	105750	118969	132188	142781	153375	163969	174563

