

LAWRENCE TAX SERVICE

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Energy Efficient Home Improvement Credit

As per the revised provisions outlined in the Inflation Reduction Act of 2022, taxpayers are eligible to claim the Energy-Efficient Home Improvement Tax Credit from January 1, 2023, through December 31, 2032.

Taxpayers can claim tax credit up to 30% of the expense incurred for qualified energy-efficient improvements made during the tax year.

These improvements include:

- Qualified energy efficiency improvements installed during the year.
- Residential energy property expenses
- Costs associated with home energy audits.

Qualified energy efficiency improvements

Qualified energy efficiency improvements must meet energy efficiency standards and consist of new systems and materials. The annual credit is generally limited to \$1200.

- Exterior windows and skylights meeting Energy Star Most Efficient Certification requirements are eligible for up to a total of \$600 per year.
- Exterior doors conforming to applicable Energy Star requirements can receive a credit of up to \$250 per door and \$500 total annually.
- Insulation and air sealing materials or systems adhering to International Energy Conservation Code (IECC) standards are qualified for a maximum credit limit of \$1,200.
- Home energy audits, inclusive of a written report and inspection, conducted by a certified home energy auditor, qualify for a credit of up to \$150. For more information about home energy audit, please visit <https://www.energy.gov/energysaver/articles/energy-saver-101-infographic-home-energy-audits>

Labor costs associated with the installation of these improvements are not eligible for the credit.

Residential Energy property

Residential energy property that meets the Consortium for Energy Efficiency (CEE) highest efficiency tier, but not the advanced tier may be qualified for a credit up to \$600 per item.

Qualified property includes:

- Central air conditioners
- Natural gas, propane or oil water heaters
- Natural gas, propane or oil furnace and hot water boilers

The system must be new to be qualified, and installation labor costs may be included to calculate the credit.

Heat Pumps and Biomass Stoves and Boilers

Heat pumps and biomass stoves and boilers with a thermal efficiency rating of at least 75% may qualify for a credit up to \$2000 per year.

Qualified improvements include:

- Electric or natural gas heat pumps
- Electric or natural gas heat pumps water heaters
- Biomass Stoves and Boilers

The system must be new to be qualified, and the labor for installation labor costs can be considered for the credit.

If you've already installed or are planning to install any of properties or systems mentioned above in 2023, we strongly recommend discussing these matters with our tax preparers for your TY2023 tax return.

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