

Inflation Reduction Act of 2022

On August 16, the Inflation Reduction Act (IRA) was signed into law. The new law is expected to reduce energy and healthcare costs while also shrinking the federal budget deficit. The IRA provides \$369 billion in energy and climate security investments designed to reduce carbon emissions by 40% in the next eight years and lower energy costs for consumers. Below are key provisions that will affect residential, commercial, and local governments in the renewable energy space.

Residential Provisions:

Electric Vehicle (EV) Tax Credit

The new law extends the \$7,500 maximum tax credit to consumers who purchase a new EV from automakers that have produced over 200,000 EVs. Previously, consumers who purchased EVs from large automakers like Tesla or GM were not eligible for the tax credit. Additionally, the IRA provides a \$4,000 maximum tax credit to consumers who purchase a used EV.

- To qualify for the tax credit, a significant proportion of the materials used to manufacture the EV must be made domestically or from a free trade agreement country.
- The new law includes an income cap of \$150,000 for single filers and \$300,000 for joint filers.
- Consumers may take advantage of the tax credit immediately as a down payment instead of waiting until tax filing.

Direct-Ownership Solar Tax Credit

The IRA raises the 26% homeowners tax credit for solar energy installation to 30% for the next decade. The credit does not have an income cap and applies to solar panels, solar electrification, wind, geothermal, fuel cells, solar water heaters, and biomass resources. Households that install solar panels are projected to save around \$300 per year.

Clean Energy Property Tax Credit

The law provides homeowners a tax credit of up to 30% for home improvements made to increase overall energy efficiency. This could include the installation of energy-efficient lighting, doors, windows, boilers, or furnaces.

Residential Efficiency and Electrification Rebate

Consumers may now receive rebates on the purchase of energy-efficient appliances including heat pumps, electric stoves, breaker box upgrades, improved insulation, and electric wiring. Rebates are scaffolded by the area's median income and will vary by region and individual family.

Manufacturing Provisions:

Manufacturing and Business Tax Credits

\$10 billion has been allocated to incentivize and accelerate the production of alternative energy including solar panels, wind turbines, batteries, and critical mineral processing. Manufacturers may claim one tax credit or the other, not both. In order to qualify, a project must meet prevailing wage and apprenticeship requirements. If workers employed on public works projects are not paid the prevailing wage requirements, the maximum credit is reduced to 6%. These credits include:

- A 30% business investment tax credit that may be applied to investment costs in facilities and equipment.
- A manufacturing tax credit that may be applied based on the volume of manufacturing output.

Relevant Grant Opportunities:

- \$5 billion – Climate Pollution Reduction Grants to state and local governments
- \$3 billion – Environmental and Climate Justice Block Grants (Disadvantaged Communities)
- \$40 billion – Increased commitment authority granted to the Department of Energy Loan Program Office
- \$1 billion – Rural renewable energy electrification loans and inclusion of energy storage
- \$760 million – Grants to state and local entities to facilitate siting of high-voltage interstate transmission
- Various grant opportunities for electric vehicle charging facilities, REAP loan expansion, and financing of rural co-ops to purchase renewable energy