

Energy Efficient Home Improvement Credit

The energy efficient Home Improvement credit can be Claim for qualified home improvements including:

- *Energy efficient improvements:* exterior doors windows skylights insulation and air sealing materials or systems.
- *Residential energy property:* Central AC's, water heaters, furnaces, boilers, heat pumps and biomass stoves/boilers. This category also includes electrical panel or circuit upgrades, 200+ amps for new electric equipment.
- *Home energy audits.*

The home must be an existing home located in the United States. Further qualifiers are unique for each type of home improvement. For example, windows, doors, skylights must meet certain Energy Star requirements while other Improvements rely on standards set by other agencies. Additionally, some improvements include labor as a qualifying expense, while others don't. Furthermore, most improvements must be on the taxpayers main home, not a second home. Specific qualifiers are beyond the scope of this fact sheet, as such get written assurances from contractors that the improvement qualifies for the credits.

How much is the credit?

The amount of the credit is 30% of qualifying costs, up to an annual maximum of \$1200 or \$3200 annual maximum if a qualifying heat pump or biomass stove boiler is included.

The credit has further annual limitations for each type of improvement.

- Doors. \$250 maximum per door.
- Windows skylights. \$600 maximum.
- Insulation and air sealing systems. \$1200 maximum.
- Central AC and water heaters, furnaces, boilers powered by gas, propane oil, \$600 per item maximum.
- Electric Panel or Circuit upgrades for new electric equipment, \$600 maximum.
- Home energy audits \$150 maximum.
- Heat pumps, heat pump water heaters and biomass stove boilers. \$2000 maximum. Which can be used in addition to the \$1200 maximum for other improvements.
- The credit. Is claimed. In the year the equipment is fully installed. This is true even if the equipment was paid for in the prior year.
- The credit is valid 2023 through 2032 with no lifetime dollar limit. For tax years prior to 2023, there was a lesser credit. For similar types of equipment.
- Taxpayers can claim the credit regardless of income.
- Credit can reduce ordinary tax, not self-employment tax, to 0.
- Unused credit does not carry forward to future tax years.
- Landlords and business owners cannot claim the credit for dedicated rental business use property. Taxpayers living in mixed-use homes, personal and business rental use can utilize the full credit if the business rental percentage is 20% or less. For mixed-use homes with greater than 20% business rental use. A lesser credit is based on qualifying costs allocated to the non business use.

Note. Don't confuse this credit with another tax credit for alternative energy equipment like solar, wind, geothermal, battery storage, and fuel cells. That credit is called the Residential Clean Energy Credit.

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