

From the desk of Peter S. Muffoletto, C.P.A.

Peter S. Muffoletto
Certified Public Accountant



Home improvements could qualify for home energy credits

Spring and summer brings the time that homeowners typically make improvements to their homes, and with the predominant amount of homeowners financed at lower interest rates, many are planning to make improvements to their existing homes rather than move.

Making certain energy efficient updates to one's home could qualify those improvements for home energy credits.

The credit amounts and types of qualifying expenses were expanded by the Inflation Reduction Act of 2022.

Homeowners who make energy improvements to a residence may be eligible for home energy tax credits.

Tax Credits

Taxpayers can claim the **Energy Efficient Home Improvement Credit** and the **Residential Clean Energy Credit** for the year the qualifying expenditures are made.

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.

Landlords cannot claim this credit.

The IRS provides the requirements and qualifications at **[IRS.gov/HomeEnergy](https://www.irs.gov/HomeEnergy)** for energy efficient equipment.

Additional information is available on [energy.gov](https://www.energy.gov), which compares the credit amounts for tax year 2022 and tax years 2023-2032.

Energy Efficient Home Improvement Credit

Those that make qualified energy-efficient improvements to their homes after January 1, 2023, may qualify for a tax credit up to \$3,200.

As part of the Inflation Reduction Act, beginning Jan. 1, 2023, the credit equals 30% of certain qualified expenses:

- Qualified energy efficiency improvements installed during the year which can include things like:
 - Exterior doors, windows and skylights.
 - Insulation and air sealing materials or systems.
- Residential energy property expenses such as:
 - Natural gas, propane or oil water heaters.
 - Natural gas, propane or oil furnaces and hot water boilers.
- Heat pumps, water heaters, biomass stoves and boilers.
- Home energy audits of a main home.

The maximum credit that can be claimed each year is:

- \$1,200 for energy property costs and certain energy efficient home improvements, with limits on doors (\$250 per door and \$500 total), windows (\$600) and home energy audits (\$150).
- \$2,000 per year for qualified heat pumps, biomass stoves or biomass boilers.

The credit is nonrefundable which means the credit reduces taxes that are owed but unfortunately unlike other nonrefundable credits any excess credit cannot be carried to future tax years.

Residential Clean Energy Credit

Those who invest in energy improvements for their primary home, including solar, wind, geothermal, fuel cells or battery storage, may qualify for an annual residential clean energy tax credit.

The Residential Clean Energy Credit equals 30% of the costs of new, qualified clean energy property for a home in the United States installed anytime from 2022 through 2032.

Qualified expenses include the costs of new, clean energy equipment including:

- Solar electric panels.
- Solar water heaters.

- Wind turbines.
- Geothermal heat pumps.
- Fuel cells.
- Battery storage technology (beginning in 2023).

Clean energy equipment must meet the following standards to qualify for the Residential Clean Energy Credit:

- Solar water heaters must be certified by the Solar Rating Certification Corporation, or a comparable entity endorsed by the applicable state.
- Geothermal heat pumps must meet Energy Star requirements in effect at the time of purchase.
- Battery storage technology must have a capacity of at least 3 kilowatt hours.

This credit has no annual or lifetime dollar limit except for fuel cell property.

Taxpayers can claim this credit every year they install eligible property on or after January 1, 2023, and before January 1, 2033.

This is a nonrefundable credit, which means the credit amount received cannot exceed the amount owed in tax. Taxpayers can carry forward excess unused credit and apply it to any tax owed in future years.

Additional information is available at [IRS.gov](https://www.irs.gov) on [qualifying residences](#) and information for taxpayers who also use their home for a business.

The credit must be claimed for the tax year when the property is installed, not just purchased.

Other resources

- [Publication 5967, Energy Efficient Home Improvements Credit \(25C\)](#)
- [Publication 5968, Residential Clean Energy Credit \(25D\)](#)
- [Energy.gov Credit Comparison Chart](#)
- [Fact Sheet: Frequently asked questions about energy efficient home improvements and residential clean energy property credits](#)

We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.

**Should you have questions relating to any
tax or financial matters call at
(818) 346-2160,
or you can visit us on the web at**

www.petemcpa.com!

**Providing individuals, small businesses, corporations,
partnerships, professionals, and other business entities with the
necessary guidance and answers for a complex world.**