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Inflation Reduction Act FAQs for Residential Solar partners

What is the Inflation Reduction Act (IRA) and its goals?

The Inflation Reduction Act includes the largest investment in clean energy and energy efficient technologies in U.S. history. The new law does this mostly through tax credits and rebates geared toward distributed energy generation like rooftop solar, household energy efficient equipment, and electric vehicles, in addition to other financing mechanisms that will attract greater private sector investment.

The law also includes billions of tax credits for manufacturers who bring production of solar panels, wind turbines, batteries and other clean energy technologies home to the U.S., meaning in coming years, American-made solar panels and batteries could come to market in greater numbers and at equal or lower prices than imported goods.

What does it mean for the rooftop solar industry and federal solar tax credits?

The most significant change for solar in the IRA is a long-term extension of the investment tax credit for residential solar installations (Section 25D). The law increases the tax credit back to 30% and fully extends the credit at that level until December 31, 2032. The credit will fall to 26% in 2033 and 22% in 2034 before expiring.

When does the long-term 30% tax credit take effect?

The 30% tax credit takes effect immediately and is retroactive for 2022 installations. The credit applies to all residential solar installations completed since January 1, 2022.

Are there any other changes to the ITC? Does it include battery storage?

Yes. Batteries have always been eligible for the 30% tax credit when paired with solar. Now, stand-alone batteries are eligible for the 30% credit. This change takes effect right away and retroactively for 2022 installations.

Can these incentives be combined?

Combined solar and storage projects remain eligible for the 30% credit when completed in a single project. The credits cannot be combined separately for the same project, but they could be applied separately if the projects are completed at different times within the same year (for example, a homeowner installs solar in February and then decides to also install battery storage in November).

Do my customers receive an additional tax credit for domestic content, projects in energy communities or in certain low-income areas under the new law?

No. For residential solar projects purchased by individuals with cash or loans, there is no additional tax credit available for domestic content, projects in energy communities, or in low income areas. Those provisions apply to a different section of the Internal Revenue Code (Section 48) than the provisions that apply to individual taxpayers (Section 25D). The maximum tax credit available is 30%.

Which customers qualify and for how many years can a customer utilize the 25D tax credit?

Any individual taxpayer qualifies for the expanded and extended 25D tax credit. Like all tax credits, an individual taxpayer must owe federal taxes that are greater than or equal to the value of the credit in order to realize the full value of the 30% credit in the tax year in which a solar project was completed.

Customers can spread the tax credit out depending on their tax liability. As with any tax credit, we encourage you and your customers to consult with personal accountants or tax preparers on detailed tax questions. Mosaic will continue to monitor and communicate any updates as they occur.

How will Mosaic financing options change in response to this legislation?

We are adjusting our products in real time to reflect the new provisions of the law. On August 16th, the same day the IRA became law, we updated our solar products to reflect the new 30% solar ITC. Stand-alone batteries are also covered in our Choice loans and like solar will reflect the 30% credit.

We are not retroactively applying a 30% ITC assumption to customers who were approved for Mosaic products before August 16th (with 26% ITC assumed). Monthly payments for those customers will continue to assume a 26% paydown before month 18. Customers who were approved for Mosaic products between January 1 and August 16, 2022 are free to make a 30% ITC paydown before month 18, and the monthly payment post-reamortization will be lower than the monthly payment in the introductory 18 month period.

What other incentives does the IRA include for homeowners?

The new law expands or introduces a slate of tax incentives and rebates for residential energy efficiency and electrification upgrades, particularly for heat pumps, heat pump water heaters, electrical panel upgrades, and whole-house energy efficiency retrofits. These new provisions take effect on January 1, 2023.

The major new provisions include:

- 25C tax credits: These tax credits, like the solar tax credit, will provide a 30% credit for energy efficient home improvements. The 25C credit has been increased from 10% to 30% for energy efficient home improvements. For some products, the credit includes a cap on how much value a customer can receive.
    - The following are the eligible amounts a homeowner may obtain under this credit. There are no income restrictions for the 25C tax credit.
        - Breaker boxes, efficient exterior windows and other qualified energy efficient projects: $600 each, with an annual maximum of $1,200.
        - Electric heat pumps and heat pump water heaters or high efficiency natural gas boilers have a $2,000 maximum credit available.
        - Energy efficient exterior doors have a maximum credit available of $250 for each door, with an annual maximum of $500 for two exterior doors.
        - Energy audits have a maximum credit of $150.

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What other incentives does the IRA include for homeowners? (continued)

The major new provisions include:

- In addition to the above tax credits, the IRA includes rebates for energy efficiency and home electrification. These rebates are available at the point of sale and may be transferred from the individual to the OEM or seller of the product. Rebates are distinct from tax credits as they do not require a tax liability to capture the value (unlike the 25C and 25D tax credits), and they will be administered at the state and local level, so some details may differ (unlike the federal tax credits that are the same nationwide).
    - HOMES Rebates: These home improvement rebates are administered by state energy offices for whole-home improvements.
        - Rebate amounts are tied to the modeled energy savings of the retrofit. Among other products, heat pumps are eligible for these rebates.
        - For retrofits that result in system savings by 20-35% the maximum rebate is $2,000 ($4,000 for LMI households), while for retrofits that result in system savings more than 35%, the maximum rebate is $4,000 ($8,000 for LMI households).
    - High-Efficiency Electric Home Rebate program (HEEHRA): These rebates are for energy efficiency and electrification products will also be administered by state energy offices.
        - These rebates are available to LMI households (those making up to 150% of the area median income) for heat pumps, heat pump water heaters, electric stoves, heat pump clothes dryers, circuit panels, insulation, air sealing, ventilation, and wiring.
        - The max annual rebate is $14,000, with different maximum rebates available for each appliance. The credits are most generous for heat pumps (up to $8,000), circuit panels ($4,000) and electric wiring ($2,500).
        - The size of the rebate depends on income. Since the rebates are transferable, a customer's eligibility may be determined at the point of sale and savings will be applied at this time.

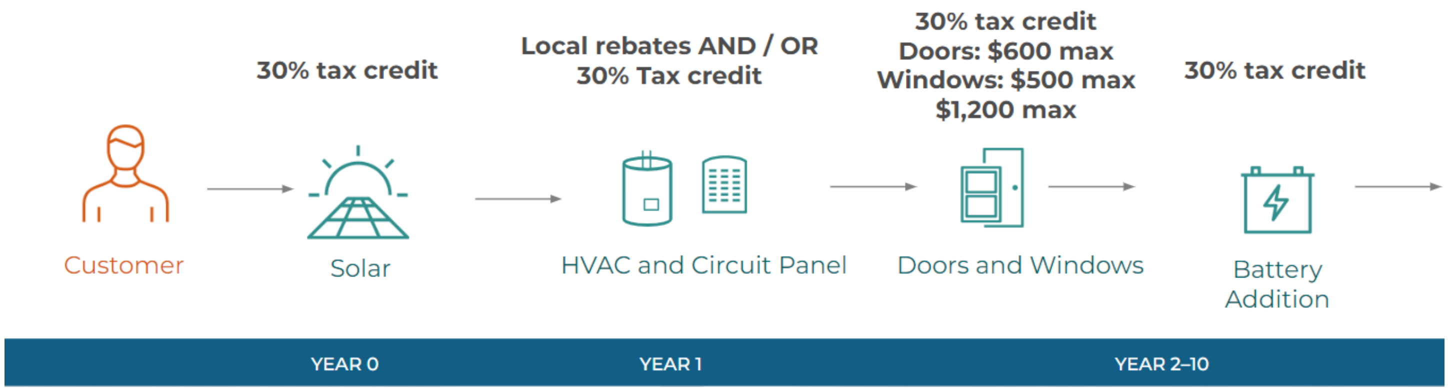
- EV tax credits: The IRA extends the tax credit for EV purchases for 10 years, but makes a number of changes.
    - The credit for new and used EVs is transferable to an IRS-registered auto dealer and may be applied at the point of sale.
    - For new EVs, the IRA lifts the per-manufacturer cap on electric vehicle tax credits and maintains the maximum amount at $7,500.
        - To use this tax credit, the manufacturer's suggested retail price must be below $55,000 for a new sedan and $80,000 for SUVs, trucks and vans.
        - The tax credit is also only available for single tax filers with modified adjusted gross income below $150,000. For married couples filing jointly, the income limit is $300,000. The limit is $225,000 for individuals who file as head of household.
    - For used EVs, the tax credit is either $4,000 or 30% of the vehicle's price - whichever is less - and the price cap is $25,000.
        - The used EV must be at least two model years old.
        - The income caps at $75,000 for individual tax filers, $150,000 for married couples filing jointly, and $112,500 for individuals who file as head of household.

How might this change my selling strategy?

The changes most likely to affect your selling strategy are likely to be:

1. Higher 30% tax credit
2. The certainty of the 10-year window

The higher credit will make the savings potential of solar even more attractive for more homeowners, while the 10-year window for the credit may lead to slightly less urgency on the part of some customers. If your company combines product offerings, then there is the potential that customers can benefit from a handful of incentives.



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