

Post-Webinar FAQs: Learning from Solar Webinar: How federal tax credits can grow your home improvement business

April 20, 2023

25C Tax Credit Details (from Slide 7)

- New tax credit maximums went into effect on January 1, 2023
- For one taxable year, the credit has been INCREASED, a homeowner is eligible for up to \$3,200 annually in energy efficient improvements
- Tax Credits renew every year, so even if a homeowner hits \$3,200 in Year 1, they have \$3,200 in tax credits available to them in Year 2
- Homeowners must have a tax liability to be eligible for a tax credit
- Credit has been extended for 10 years to improve business certainty

FAQs

Is there a lifetime limit on the credits?

No, there is no lifetime limit.

What are the rules on tax credit carryover if a customer doesn't have enough tax liability?

A taxpayer may not carry the credit forward. Thus, if a customer does not have sufficient tax liability to claim all or a portion of the credit in the year in which a heat pump or other qualifying piece of equipment is placed in service, the unused amount of the credit may never be claimed.

Can tax credits be used for second homes?

The credits are available only for certain improvements made to second homes, and the credits are never available when the improvements are made to homes not used as a residence by the taxpayer. If a taxpayer otherwise qualifies, but a home's use for business purposes exceeds 20 percent, the taxpayer must calculate the amount of credit by including only that portion of the expenditures for the property that are properly allocable to use for nonbusiness purposes.

Can renters utilize 25C and 25D?

Yes! Renters may be specifically interested in the 25C credit for portable, window-unit heat pumps once the Consortium for Energy Efficiency releases relevant efficiency standards (hopefully by 2024).

Who qualifies for 25C and 25D?

Anyone with adequate tax liability to offset can qualify for 25C and 25D.

Are the 25C or 25D credits refundable?

No, they are not refundable.

Do 25C and 25D cover electrical panel upgrades?

25C and 25D cover panel upgrades if they are installed in conjunction with and enable the installation of another covered upgrade, like a heat pump or rooftop solar, respectively.

Do smart electric panels qualify for 25C and 25D?

Yes, as long as they have a capacity of at least 200 amps.

Do 25C and 25D apply to new construction?

No for 25C; yes for 25D.

Which tax credits cover which heat pumps?

25C covers air-source heat pumps, and 25D covers geothermal heat pumps.

Does 25C have efficiency requirements?

Yes. 25C is applicable only to heat pumps and heat pump water heaters that meet the Consortium for Energy Efficiency's highest non-"advanced" tier in effect as of the beginning of the year in which the property is placed in service. ENERGY STAR-certified doors and ENERGY STAR Most Efficient-certified windows also are eligible.

- *If asked: the CEE requirement applies to fossil-fuel equipment, too*

IRS Links

- [FAQs on Qualifying Expenditures and Credit Amounts](#)
- [FAQs on Efficiency Requirements](#)
- [Examples](#)
- [December 22, 2022 Guidance](#)

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