

Inflation Reduction Act of 2022 - Overview

Effective Date: Aug 16, 2022

Energy Efficient Home Improvement Credit - [§25C](#)

Formerly: Nonbusiness Energy Property Credit (Form 5695, Part II)

Existing Credit:

- Through Tax Year 2022
- 10% of qualifying property
- \$500 lifetime credit (many taxpayers have already used this maximum credit accumulated from prior years)

Enhanced Credit:

- Effective Years: 2023 - 2032
- Credit Rate: 30%
- Maximum Credit: \$1,200 annually (not lifetime!)

Types of Qualifying Property:

- Residential energy property (\$600 max credit)
- Exterior windows and skylights (\$600 max credit)
- Exterior doors (\$250/each; \$500 combined max credit)
- Home energy audits (\$150 max credit)
- Heat pumps, heat pump water heaters, biomass stoves, biomass boilers (\$2,000 max credit)

Note: Manufacturer product ID codes are required beginning in 2025.

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Residential Clean Energy Credit - [§25D](#)

Formerly: Residential Energy Efficient Property Credit (Form 5695, Part I)

Effective Years: 2022 - 2034

Credit Rates:

- 2022 - 2032: 30%
- 2033: 26%
- 2034: 22%

Types of Qualifying Property:

- Solar electric property (any residence)
- Solar water heating property (any residence)
- Fuel cell property (*primary residence only*)
- Small wind energy property (any residence)
- Geothermal heat pump property (any residence)
- Biomass fuel property (any residence)
- Battery storage technology (any residence; 2023 - 2034)

Note: Reduce the basis of your residence by the amount of the credit.

Example:

- \$30,000 cost for solar panels
- 30% credit = \$9,000
- Net cost: \$21,000 (this is the amount of the basis increase to the residence)

Clean Vehicle Credit - [§30D](#)

Formerly: Qualified Plug-In Electric Drive Motor Vehicle Credit (Form 8936)

Effective Years: 2023 - 2032

Note: Beginning in 2024, the qualifying clean vehicle credit may be transferred to a dealer as a payment to reduce the purchase cost instead of claiming the credit on a tax filing.

The taxpayer must still qualify for the credit. If the taxpayer does not qualify for the credit, then the taxpayer's tax is increased by the credit amount that was paid to the dealer.

New Vehicles (Sec. 13401)

Maximum Credit: **\$7,500**

- \$3,750 based on critical mineral requirements
- \$3,750 based on battery component requirements

Key requirements:

- Credits are not limited by manufacturer vehicle sales (prior credits expired when a manufacturer sold 200,000 vehicles)
- Final assembly must be done in North America (US, Canada, Mexico)
- Energy source: 7 kw battery or higher; or a hydrogen fuel cell
- VIN must be reported on the tax filing

MSRP Limits:

- \$80,000 for vans, SUVs, pickup trucks
- \$55,000 for all other vehicles

MAGI Limits: - lesser of current tax year or preceding tax year:

- \$300,000 (Married Filing Jointly / Surviving Spouse)
- \$225,000 (Head of Household)
- \$150,000 (Single, Married Filing Separately)



Financial Planning & Investment Management

Used Vehicles (Sec. 13402 - §25E)

Maximum Credit: Lesser of **\$4,000** or **30%** of the sale price

Key requirements:

- Model year must be at least 2 years earlier than year of purchase
 - Example: 2023 purchase must be for a model year 2021 or earlier vehicle
- Must be sold by a dealer (private party sales do not qualify)
- Original use is not by the taxpayer
- Sale price must be \$25,000 or less
- VIN must be reported on the tax filing
- Purchase is for use and not resale
- Buyer is not claimed as a dependent
- No credit claimed during the prior 3 year period

MAGI Limits: - lesser of current tax year or preceding tax year:

- \$150,000 (Married Filing Jointly / Surviving Spouse)
- \$112,500 (Head of Household)
- \$75,000 (Single, Married Filing Separately)

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