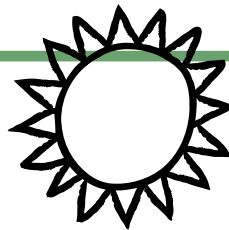


## The Inflation Reduction Act of 2022

### Saving Money, Saving the Planet



**Reducing the use of fossil fuels is the single most important step the global community can take to reduce climate change impacts.**

Increasing energy efficiency is the most effective way to reduce fossil fuel use, and it brings other economic benefits like lower utility bills. However, energy efficiency, whether at home or in a house of worship, is an expensive process, and the cost of energy improvements can be discouraging. The up-front cost of energy improvements has been a barrier to low-income ratepayers interested in promoting environmental care. It also has been a barrier for faith communities, particularly because government programs that facilitate energy improvements are typically structured as tax incentives that are not applicable to faith communities.

The passage of the Inflation Reduction Act (IRA) has changed the way households and congregations will pursue energy efficiency over the next ten years. With large tax credits and new incentives for tax-exempt entities, residential and commercial consumers can pursue energy efficiency more affordably than ever before. Large solar projects and energy property improvements are now budget-friendly and practical, including for houses of worship.

Through a new “direct pay” option, houses of worship can claim a refundable solar tax credit. Beyond these credits, the IRA contains a plethora of climate care provisions that reduce greenhouse gas emissions, create millions of well-paying clean energy jobs, invest in environmental justice, and lower energy bills.

The passage of the IRA is a boon to climate change mitigation efforts, but we’ll only realize the potential energy savings and climate benefits of the legislation when everyone is adequately educated about and maximizes their use of the IRA. The IRA provides a unique financial and spiritual opportunity for faith communities to progress a transition to a clean energy economy rooted in creation justice. You and your congregation can leverage the IRA to enhance your energy resilience and independence. This publication summarizes key IRA provisions you should know about, and offers guidance on how you can make the most of them.



## ★ About the IRA

The Inflation Reduction Act of 2022 makes the single largest investment in climate and energy in American history.<sup>1</sup>

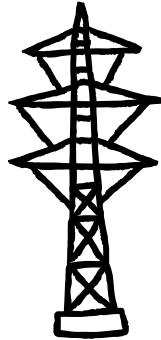
The IRA demonstrates the U.S.’s serious commitment to halving its own greenhouse gas emissions by 2030.<sup>2</sup> It includes a multitude of provisions aimed at empowering local communities to go solar, retrofit their homes for greater energy efficiency, and reduce energy expenditures.

The \$737 billion package contains several promising provisions that will advance the American energy system, empowering consumers and businesses to “go green.”<sup>3</sup> Additionally, the Act’s historic passage improves Americans’ equitable access to Medicare with a \$64 billion investment in the expansion of the Affordable Care Act. A 15% corporate minimum tax is also included in the IRA and presents an opportunity to increase federal revenue.

All the provisions of the IRA are important, but the climate and energy provisions are the most revolutionary. The legislation relies on strategic, influential tax incentives to drive changes in consumer and producer energy and transportation choices. Because the IRA climate provisions are tax incentives, the Internal Revenue Service (IRS), and not energy or environmental agencies, will be the primary implementer.

This report contains a summary of the IRA’s climate and energy-related provisions, which residential and commercial consumers can leverage to achieve energy savings and help meet our nation’s science-based emissions reduction goals.

### **Residential Clean Energy Property Credit**



The Residential Clean Energy Property Credit (25D) allows for a 30% tax deduction of the cost of solar projects, including solar installation and home battery storage. The IRA amended the credits for energy efficient improvements under 25C and 25D of the Internal Revenue Code – this includes the very popular Solar Investment Credit (ITC).

After 2033, however, the credit percentages will begin to phase down. All solar installations placed in service after 2033 will receive a 26% credit; 22% in 2034; and no credit after December 31st, 2034.<sup>4</sup>

There is no dollar limit for the Residential Clean Energy Property Credit; the credit is only limited to 30% on qualified expenditures. For fuel cell property expenditures, however, check the IRS for specific tax credit limitations. “Direct payment” is not available for residential property; only applicants who have property tax liability are eligible.

### **Solar Investment Tax Credit**

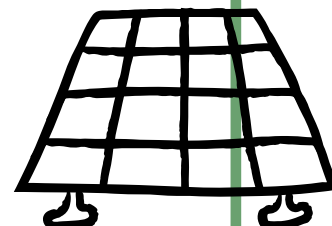
The IRA amends the Solar Investment Tax Credit (ITC) to increase its tax percentage to 30 percent, with additional commercial tax bonuses dependent on certain installation qualities. The Solar Investment Tax Credit, enacted in 2006, has helped grow the solar industry for several decades, creating thousands of jobs and progressing the solar movement throughout the nation.

The ITC is housed under Section 25D of the tax code for residential property and Section 48 for commercial credits. Commercial projects, including those conducted by tax-exempt organizations, can receive additional tax reductions, increasing their tax credit to more than 30 percent.<sup>5</sup> These credit bonuses are associated with broader community benefits that can be attributed

## The Residential Clean Energy Credit (25D) allows households to deduct 30% of the cost of solar projects and battery storage systems.

The following clean energy expenditures are eligible for a 30% tax credit:

- solar panels
- solar water heaters
- fuel cells
- wind turbines
- geothermal heat pumps
- battery storage



Energy efficiency requirements that must be met to receive the credit:

- Battery storage technology property must have a 3 kilowatt-hours or greater storage capacity
- Solar Water heating property must have certification by either the government or the non-profit Solar Rating Certification Corporation
- Geothermal heat pumps must meet the requirements of the Energy Star program requirements



Traditional roofing materials and components do not qualify for the Residential Clean Energy Credit. However, solar roofing tiles and solar roofing shingles that serve as electric collectors and structural supports qualify for the energy credit.

to the project, such as locating the project in a community with existing oil and gas employment or a low-income community. They vary depending on the size of the project. Find more information through the Solar Energy Industries Association (SEIA).<sup>6</sup>

### Direct Pay

The IRA included a new elective payment option known as “direct pay,” which enables tax-exempt organizations to receive solar credits as upfront payments rather than as tax credits. Direct pay is a tremendous opportunity for nonprofits and houses of worship to implement solar energy in their physical



spaces.<sup>7</sup>

Previously, tax-exempt organizations only could realize the benefit of solar tax incentives by partnering in “power purchase agreements” with third-party entities that could claim the tax credit.<sup>8</sup> This barred many organizations from pursuing solar projects due to complicated financial trade-offs and costs.

Under the new direct payment option, houses of worship and other tax-exempt organizations can receive those credits by direct pay, and receive a check for 30% of the project cost just like a tax-paying entity would receive the credit when filing taxes.<sup>9</sup>

Any organization that has filed a tax-exempt status form qualifies for the direct payment option. More information is provided through the Treasury Department's guidelines about direct pay.

### Energy Efficient Home Improvement Credit

The Energy Efficient Home Improvement Credit (25C) allows households to deduct 30% of the cost of energy efficiency upgrades from their taxes, including heat pumps, energy audits, insulation, and more. The IRA amended the existing energy efficiency credit by increasing the annual tax credit to \$1,200 per year for all "building envelope components" (parts of the structure like doors, windows, walls, and roofs); home energy audits; and energy property expenses.



Electric or natural gas heat pumps; water heaters; and biomass stoves and boilers have a separate tax credit limit of \$2,000. Therefore, the maximum tax credits received could amount to \$3,200 yearly. These credits are applicable to qualifying projects placed in service after January 1, 2023, and before January 1, 2033. Find out more at [irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022](https://irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022)

### Clean Vehicle Credit

The Clean Vehicle Credit (30D) provides a \$7,500 credit for new electric vehicles and a \$4,000 credit for used electric vehicles. New electric vehicles are those placed in service after January 1, 2023, for use by the taxpayer. To claim the clean vehicle credit, taxpayers must provide the clean vehicle information to the IRS. To view a full list of manufacturers and models that qualify for the new clean vehicle tax credit visit the IRS website at [irs.gov/credits-and-deductions](https://irs.gov/credits-and-deductions).

### High-Efficiency Electric Home Rebate Act

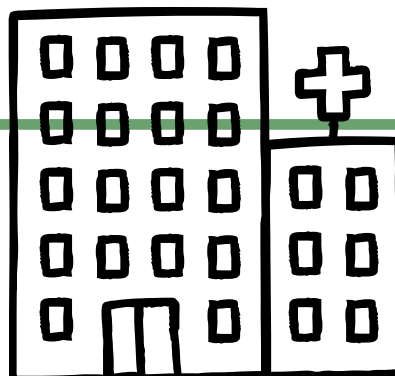
The High-Efficiency Electric Home Rebate Act (HEEHRA) provides \$4.5 billion in direct rebates for low to moderate-income households for the installation of new energy-efficient appliances. The Department of Energy houses this program and is expected to distribute these funds to State Energy Offices and Tribes in 2023. Through HEEHRA, qualifying households will receive immediate discounts on qualifying electrification expenses such as ranges, cooktops, and wall ovens.<sup>10</sup> More information will be provided as funds are available through the Department of Energy.

### Ready to save money and save the planet? Here are the first steps:

- Use Rewiring America's IRA Savings Calculator to estimate how much you can save based on your household composition and income. Find the calculator at <https://www.rewiringamerica.org/app/ira-calculator>
- Conduct an energy audit of your residence to determine the energy consumption and efficiency of your home. Even the cost of your audit, or a portion of the cost, may be covered by IRA.

- Research your local government and energy providers' programs to see if there are additional savings you may be able to layer on the IRA's tax incentives.

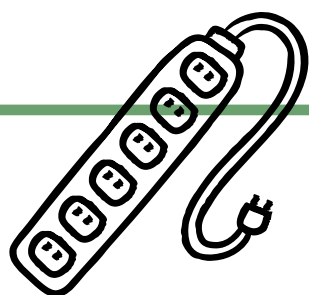
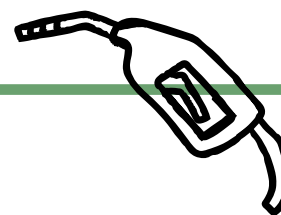
For residential consumers, energy service providers often can streamline most of these steps. For houses of worship, the process often is more complex and time-consuming. Assembling an energy task force is a great strategy to give structure to the process and provide accountability and transparency for the entire congregation.



## The Social Cost of Carbon

Greenhouse gas emissions are responsible for environmental impacts, and they also generate economic, and health challenges. A new report estimates that the “social cost” of greenhouse gas emissions is roughly \$185 per metric ton—the economic damages, in dollars, that result from the emission of one additional ton of carbon dioxide into the atmosphere.<sup>11</sup>

The processes that yield greenhouse gas emissions also result in emissions that make people sick. The Rhodium Group, an independent research organization, estimates that by 2030, the IRA will cut conventional air pollutants resulting from electric power by roughly 82% compared to 2021 levels.<sup>12</sup>



## Texas Energy Laws Related to the IRA

The IRA provides a nationwide program that will benefit all Americans, regardless of where they live—but some Americans will achieve better outcomes than others, because states and cities often provide energy efficiency incentives that their residents can leverage with IRA benefits.

The Database of State Incentives for Renewables and Efficiency (DSIRE) provides comprehensive information on incentives and policies that support renewable energy and energy efficiency in the United States. DSIRE also provides updated information on eligible technologies, applicable sectors, and potential energy savings.<sup>13</sup>

Currently, there are no specific laws prohibiting Texas homeowners from taking advantage of the tax incentives of the IRA. However, specific utilities do impose fees on solar interconnections and permits, which can pose a challenge to consumers who want to make their homes more energy efficient. Some utilities require licensed professionals to conduct energy audits and other upgrades; check with your utility provider before you start any project.

## Other IRA Climate Care Provisions

The funding provided in the IRA primarily is intended to drive market behavior by providing incentives for certain purchases and projects; however, there are also funds available for states and local governments, mostly in the form of competitive grants. The following are some of the funds available to communities through the IRA's climate and energy provisions:

### Greenhouse Gas Reduction Fund

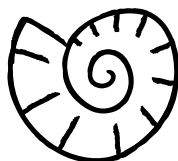
The Greenhouse Gas Reduction Fund allocates \$27 billion in investment funding to clean energy technologies and emission reduction projects.<sup>14</sup> The program provides \$20 billion in green financing and \$7 billion in grants for low-income and disadvantaged communities. The program focuses on accelerating the equitable and sustainable development of zero-emission technologies. Additionally, the EPA is launching a stakeholder engagement program to help implement the Greenhouse Gas Reduction Fund to its fullest extent.

### Environmental and Climate Justice Block Grants

The IRA provides \$2.8 billion in Environmental and Climate Justice Block Grants for “community-led” projects that reduce GHGs in disadvantaged communities.<sup>15</sup> These funds will be administered to community-based nonprofit organizations to help advance “air pollution monitoring, prevention and remediation; mitigating climate and health risks from extreme heat and wildfires; climate resiliency and adaptation; and reducing indoor air pollution.”

### Indigenous and Native Climate Care Provisions

The IRA includes several



provisions that provide direct funds to Native communities. This includes funds of \$235 million for Tribal climate resilience, \$225 million for Tribal high-efficiency electric home rebate programs, and \$25 million for Native Hawaiian climate resilience.<sup>16</sup> The IRA also provides \$145 million for the Tribal Electrification Program to hasten the Tribal community's transition to clean, zero-emission, electric energy.

### Rural Climate Care Provisions

The IRA invests in rural communities by providing \$20 billion toward agricultural conservation programs and roughly \$14 billion for clean energy projects. The act expands the Rural Energy for America Program, supporting rural small businesses and agricultural producers with clean energy and energy efficiency upgrades.<sup>17</sup> The Biden Administration believes the program will reach over 41,500 small businesses and farms while providing over \$9 billion in assistance to rural electric cooperatives.

The act also supports previous farm bill legislation by extending funding for conservation programs authorized by the 2018 farm bill.<sup>18</sup> This keeps critical conservation programs alive and funded until the 2023 farm bill is drafted.

### Forest Care Provisions

Additionally, the IRA appropriates \$450 million for grant programs for owners of private forestland—specifically for underserved landowners in high-poverty locations.<sup>19</sup> Roughly 39% or 290 million acres of the U.S.'s forests are privately owned, meaning these necessary funds help bolster climate and wildfire mitigation efforts. The IRA also provides \$700 million in funds for forest conservation efforts through US Forest Services' Forest Legacy Program.<sup>20</sup>



## Endnotes

- 1 <https://www.energy.gov/lpo/inflation-reduction-act-2022>
- 2 [fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies](#)
- 3 [https://www.democrats.senate.gov/imo/media/doc/inflation\\_reduction\\_act\\_one\\_page\\_summary.pdf](https://www.democrats.senate.gov/imo/media/doc/inflation_reduction_act_one_page_summary.pdf)
- 4 [frequently-asked-questions-about-energy-efficient-home-improvements-and-residential-clean-energy-property-credits](#)
- 5 [long-term-solar-itc-standalone-storage-direct-pay-inflation-reduction-act](#)
- 6 <https://www.seia.org>
- 7 <https://www.utilitydive.com/news/the-inflation-reduction-act-tax-credit-direct-pay-low-income-housing/636584/>
- 8 [the-inflation-reduction-act-is-a-game-changer-for-nonprofits-seeking-solarstorage](#)
- 9 [Who-qualifies-for-direct-pay-for-the-solar-itc](#)
- 10 [HEEHRA\\_factsheet.pdf](#)
- 11 [social-cost-of-carbon-more-than-triple-the-current-federal-estimate-new-study-finds](#)
- 12 [climate-clean-energy-inflation-reduction-act](#)
- 13 [austin-energy-residential-energy-efficiency-rebate-program](#)
- 14 [greenhouse-gas-reduction-fund](#)
- 15 [advancing-environmental-justice](#)
- 16 [2022-08-16 \(Final\) SCIA IRA Resource Guide.pdf](#)
- 17 [fact-sheet-how-the-inflation-reduction-act-will-help-small-businesses](#)
- 18 <https://www.edf.org/blog/2022/11/22/4-big-ways-inflation-reduction-act-invests-rural-america>
- 19 [how-inflation-reduction-act-helps-forests-help-us](#)
- 20 [sfi-applauds-passage-of-the-inflation-reduction-act](#)





“The most significant climate legislation ever enacted by Congress has become law, without the word “climate” in its title.” —***Governing***



Want more information about the Inflation Reduction Act? Download **Building A Clean Energy Economy: A Guidebook To The Inflation Reduction Act's Investments In Clean Energy And Climate Action**, available at <https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf>



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