

The Energy Efficient Home Credit Explained

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The Inflation Reduction Act extended and expanded the Energy Efficient Home Credit for tax years 2023 through 2032.

Starting in 2023, eligible contractors may qualify for an Energy Efficient Home Credit ranging from \$500 to \$5,000 for the construction or manufacture of new energy-efficient homes.

To qualify for the credit, the home must be constructed by an eligible contractor and acquired from the contractor (either directly or indirectly) for use as a residence during the taxable year. The residence does not need to be the acquirer's principal residence.

Who is considered an "eligible contractor"?

An eligible contractor is the person who constructed the qualified new energy-efficient home. Or for a manufactured home, the eligible contractor is the manufactured home producer.

What is considered a qualified "new energy-efficient home"?

To qualify as a new energy-efficient home in 2023, the home must be a new dwelling unit located in the United States with construction that was substantially completed after 2022. Construction includes substantial reconstruction and rehabilitation.

The home must also meet the following energy-savings requirements:

- **For a Site-Constructed Single-Family Home**
 - The home must be eligible to participate in the Energy Star Residential New Construction Program.
 - The home must meet the Energy Star Single Family New Homes National Program Requirements 3.1.
 - Home meets the Energy Star Single Family New Homes Program Requirements applicable to the location of the dwelling unit as in effect on January 1, 2023.
- **For a Manufactured Home**
 - The home must be eligible to participate in the Energy Star Manufactured New Homes Program.

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- Home meets the Energy Star Manufactured Home National Program Requirements as in effect on January 1, 2023.
- **For a Multifamily Home**
 - The home must be eligible to participate in the Energy Star Multifamily New Construction Program.
 - Home meets the Energy Star Multifamily New Construction National Program Requirements in effect on January 1, 2023.
 - Home meets the most recent Energy Star Multifamily New Construction Regional Program Requirements applicable to the location of the dwelling unit in effect on January 1, 2023.

Eligible contractors that construct or manufacture homes meeting these requirements are eligible for the following credit amounts:

- \$2,500 credit for Site-Constructed Single-Family Homes and Manufactured Homes
- \$500 credit for Multifamily Homes (or \$2,500 credit if the unit meets prevailing wage requirements specified by the Department of Labor)

If the dwelling meets additional requirements, allowing it to be certified as a Zero Energy Ready Home under the Department of Energy's Zero Energy Ready Home Program in effect as of January 1, 2023, then larger credit amounts are available:

- \$5,000 credit for Site-Constructed Single-Family Homes and Manufactured Homes
- \$1,000 credit for Multifamily Homes (or \$5,000 credit if the unit meets prevailing wage requirements specified by the Department of Labor)

The Energy Efficient Home Credit is a general business credit and can be claimed by eligible contractors on Form 8908.

If you have questions on this tax credit, reach out to SVA. We are here to help.

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