



FREQUENTLY ASKED QUESTIONS

How are heat pumps incentivized by the expansion of 25C or new rebate programs?

Heat pumps are among the energy efficient home appliances incentivized through the Inflation Reduction Act's (IRA) various programs.

- *The expanded Energy Efficient Home Improvement tax credit (25C)* offers an annual credit of 30% of the project's cost, and up to \$3,200 for projects including a qualifying heat pump.
- *The Home Efficiency Rebate (HER)* can pay up to \$4,000 per dwelling or up to \$8,000 for LMI homes or multi-family. However, the total rebate amount varies depending on the type of property, the retrofit and homeowner's income levels.
- *The Home Electrification and Appliance Rebates (HEAR)* pays between 50% and 100% of the cost of installing a heat pump up to \$8,000 for qualifying homeowners, tenants, and multi-family landlords depending on the income and total cost of the project.

Are there specific requirements in the Inflation Reduction Act guidance on what equipment must be replaced for the tax credits or rebate programs?

The expanded 25C tax credit value does not vary based on the piece of equipment a homeowner chooses to replace. In fact, a homeowner can use the tax credits to purchase gas, oil, or propane-fired equipment.

The expanded 45L tax credit targets developers and building contractors for new construction or manufactured homes to install ENERGY STAR® certified or DOE Zero Energy Ready requirements. As this is targeting new construction, there is not a requirement around what is replaced.

However, the Energy Efficiency Rebate Program's technical requirements will vary.

- For the Home Efficiency Rebate (HER) program, the guidance will need to be determined by the state energy offices and the overall energy reduction of the retrofit.
- The Home Electrification and Appliance Rebates (HEAR) program guidance does require the applicant to replace non-electric equipment, meaning one must replace a fossil fuel-fired furnace with a heat pump and air-handler to qualify for the rebate.

When do the tax credits and rebates go into effect?

New 25C tax credits for heat pumps, furnaces, ACs and other efficiency items went into effect January 1st, 2023. The new IRA rebate programs (HER and HEAR) are still being developed at the state level and are pending implementation.

Do we expect the demand for heat pumps by homeowners to increase given the new incentives?

We do believe that homeowners will seek to take advantage of the tax credits and future rebates outlined in the Inflation Reduction Act when it makes sense for them. In most cases, these incentives will subsidize mid to high performing system sales. We are regularly reviewing our capability to meet demands for all system components including heat pumps, both ducted and ductless. In fact, some markets have already begun to experience some shift to heat pumps as a solution for electrification of heating, stemming from local awareness and incentive programs in place prior to the Inflation Reduction Act.

25C Homeowner Tax Credit:

See FAQ released by the IRS for more information here:

[Frequently asked questions about energy efficient home improvements and residential clean energy property credits | Internal Revenue Service \(irs.gov\)](#)

Where can I find 2023 Manufacturer’s Certificates?

Manufacturer’s Certificates to support filings for the 2023 tax year are available on our website.

Why am I seeing disclaimers about qualifications being subject to change?

Currently, eligible equipment must “meet or exceed the highest efficiency tier (not including any advanced tier) established by the Consortium for Energy Efficiency which is in effect as of the beginning of the calendar year.” The eligibility requirements are subject to change based on the final CEE Criteria and the Internal Revenue Service (IRS).

Can you get the heat pump tax credit when you use dual fuel?

Based on the FAQ published by the IRS, it is our understanding that a homeowner would be eligible to claim the up to \$2,000 credit for a qualified heat pump, as well as the up to \$600 credit if installed with a qualified furnace, for a maximum credit of \$2,600 for a qualified dual fuel system. However, it is best for the homeowner to consult their tax professional.

Is the 25C tax credit based on matchups or specific units?

It is a system performance tier, pointing to a system matchup performance like those listed in AHRI for an air conditioning, heat pump, or furnace system.

How often could a homeowner qualify for the 25C tax credit?

The lifetime limitation lifted in 2023 and was replaced with an annual limit. Which means homeowners do have a limit each year, but they can claim energy improvements on their home year after year. This is especially beneficial for customers that may have multiple HVAC systems. By staging replacements over 2 calendar years, it’s possible to receive the new tax credit sequentially.

What HVAC equipment qualifies for the 25C Tax Credit?

The 25C tax credit is contingent on equipment that meets the highest non-advanced Consortium for Energy Efficiency (CEE) tier. These guidelines will determine which equipment qualifies for the 25C homeowner tax credit. Visit the CEE released content directly here:

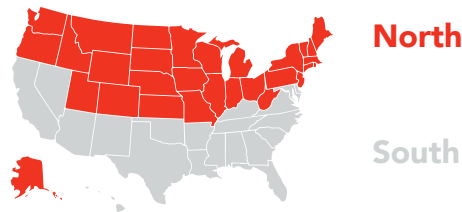
- > [CEE Residential Electric HVAC Specification – January 1, 2023](#)
- > [CEE Residential Natural Gas Specification \(Hydronic\) – 2021-\(unchanged\)](#)

Reference Table: Highest Non-Advanced 2023 CEE Tiers

25C TAX CREDIT*	PRODUCT	OFFERING	CEE REGIONS	AFUE	SEER2	EER2	HSPF2	COP AT 5°F	CAPACITY RATIO
Up to \$600	Furnaces	Gas	National	≥97%	-	-	-	-	-
		Split Ducted	National	-	≥16	≥12	-	-	-
Up to \$600	Air Conditioners	Ductless	National	-	≥16	≥12	-	-	-
		Packaged	National	-	≥15.2	≥11.5	-	-	-
		Split Ducted	North	-	≥15.2	≥10	≥8.1	≥1.75	≥58% (17°F/47°F) or ≥70% (5°F/47°F)
Ductless	North	-	≥16	≥9	≥9.5				
Up to \$2,000	Air Sourced Heat Pumps	Packaged	North	-	≥15.2	≥10	≥8.1	-	-
		Split Ducted	South	-	≥15.2	≥11.7	≥7.8	-	-
		Ductless	South	-	≥16	≥12	≥9	-	-
		Packaged	South	-	≥15.2	≥10.6	≥7.2	-	-

*The information in the table is subject to change based on direction provided by the IRS. When new information becomes available, we'll post and adjust as needed.

CEE Regional Breakdown



Is a retrofit required from a gas fueled heating system to qualify for the up to \$2K 25C Tax Credit for heat pumps?

The Inflation Reduction Act does not indicate a gas fueled heating source must be replaced to qualify for the heat pump 25C Tax Credit. In fact, eligible gas furnaces and air conditioners can also qualify for an up to \$600 credit.

Have COP at 5°F and heating capacity ratios been added to AHRI in order to check for CEE North region?

Yes, we continue to update our published ratings to provide the performance details needed to assist you in identifying qualified systems. Keep checking back to AHRI or our resources on the HUB for updates.

Are the tax credits applied towards federal taxes owed and if the customer owes no federal taxes, then there is no credit?

The 25C tax credits are nonrefundable personal tax credits. A taxpayer claiming a nonrefundable credit can only use it to decrease or eliminate a tax liability. A taxpayer will not receive a tax refund for any amount that exceeds the taxpayer's tax liability for the year. Homeowners should work with their tax professional to understand how non-refundable credits may apply to their unique tax situation.

Will funding for tax credits run out?

No, there is no specific funding budget for tax credits. The Inflation Reduction Act amended the tax code to allow for a credit (or reduction in tax liability) for qualifying purchases. Tax credits are part of the tax system with no dedicated amount or set limit to how many could be received in a calendar year. The credits will be available to all who qualify through 12/31/2032.

Are taxpayers only eligible for improvements and installations on their primary residence?

No, the improvement does not have to be made to the taxpayer's principal residence to be eligible for tax credits for central air conditioning, gas furnace, or heat pump improvements. Requirements changed in 2023 to homes "located in the United States that are used as a residence by the taxpayer."

What improvements are eligible for the \$2,000 exception credit?

Heat pump, heat pump water heater, biomass stove and boilers.

What improvements fall under the annual \$1,200 credit allowance?

Central Air Conditioner	Up to \$600
Natural Gas, Propane, or Oil Furnace or Hot Water Boiler	Up to \$600
Natural Gas, Propane, or Oil Water Heater	Up to \$600
Windows & Skylights	Up to \$600
Exterior Doors	Up to \$500
Home Energy Audit	Up to \$150
Electrical upgrades necessary to qualified equipment installation	Up to \$600

Inflation Reduction Act Rebate Programs:

As part of the Home Electrification and Appliance Rebates (HEAR), how would someone be able to identify themselves as “low-income” or “median-income” eligible?

An individual’s household income compared to their area is determined by using the U.S. Department of Housing and Urban Development’s (HUD) income limits database. The income requirements for the rebates are based on median income in their given area.

- ≥80% and ≥150% of median income: Up to 50% of the cost of a qualified electrification project.
- <80% of median income: Up to 100% of the cost of a qualified electrification project.
- Each qualifying family or individual will also be limited to no more than \$14,000 in total rebates under the program.
- Owners of multi-family buildings are eligible to receive the rebates if more than 50% of their tenants meet the income requirements:
 - » If half the tenants earn between 80% and 150% of the area’s median family income, the building owner is eligible to receive a rebate of up to 50% of the project’s cost.
 - » If half the tenants earn less than 80% of the area’s median family income, the building owner is eligible to receive up to 100% of the project’s cost.

Where can more information be found on the rebate programs in my state?

To learn more and possibly help your state’s program succeed, dealers and distributors can reach out to their state energy office. find yours here: <https://www.energy.gov/femp/state-energy-offices-and-organizations>

When we say “rebate,” how will the homeowner redeem the money? Will the rebate go directly to the installer at point of sale?

The Energy Efficiency Rebate Programs outlined in the Inflation Reduction Act are federally funded programs that each state must apply for, develop, and enforce. The mechanics of how the rebates will be applied is dependent on the individual state programs that have yet to be defined and may vary by state. Guidance in the Inflation Reduction Act suggests that:

- Home Electrification and Appliance Rebates (HEAR): This rebate will be applied at the point of sale to reduce the up-front installed cost.
- Home Efficiency Rebate (HER): These performance-based market incentives will be paid to contractors, installers, or home performance companies based on home’s actual energy savings post installation for single family and multi-family homes. HER rebates may be paid out based on modeled or on measured (actual) performance depending on state program.

45L Energy Efficient Home Tax Credit:

How much is the 45L Tax Credit?

For properties placed into service after December 31, 2022, the maximum credit available is \$2,500-\$5,000 per qualifying single-family, manufactured and multi-family unit. Prior to 2023, the maximum was:

- \$2,000 per qualifying multi-family or single-family unit
- \$1,000 per eligible manufactured home

Who is eligible for the credit?

Only the taxpayer that develops or owns the property and then either sells, leases or uses the property for themselves is eligible for the credit.

What is the eligibility timeframe?

New homes or dwellings must be completed and sold or leased prior to December 31, 2032.

What are the Prevailing Wage requirements?

To meet the prevailing wage requirements with respect to any qualified facility, a taxpayer must ensure that any laborers and mechanics employed by the taxpayer, or any contractor or subcontractor in the construction of such facility, are paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality in which such facility is located as most recently determined by the Secretary of Labor.

What is a DOE Zero Energy Ready Home?

A DOE Zero Energy Ready Home is a high-performance home that is so energy efficient that a renewable energy system could offset most or all the home's annual energy use. Each DOE Zero Energy Ready Home meets efficiency and performance criteria found in the DOE Zero Energy Ready Home National Program Requirements.

Innovating for a sustainable future: As an industry leader in home comfort and HVAC innovation, Trane is committed to energy efficient solutions and reducing our customers' carbon footprint.