

IRA – 25C Tax Credit Guide for Heat Pump Contractors

How to select and document equipment that meets the IRA's 25C tax credit

The Inflation Reduction Act (IRA) of 2022 provides for federal income tax credits for the installation of qualifying heat pumps. The IRA's Energy Efficient Home Improvement Credit – Section 25C – provides **up to \$2,000** annually in tax credits to lower the cost of a heat pump installation by up to 30 percent.

Products must meet The Consortium for Energy Efficiency's (CEE) most efficient tier for the North/Canada region to be eligible for 25C tax credits:

Configuration	Level	SEER2	EER2	HSPF2	COP@5°F	Capacity Ratio
Ducted	CEE Tier 1	≥ 15.2	≥ 10.0	≥ 8.1	≥ 1.75	≥ 58% at 17°F/47°F
Ductless	CEE Tier 2	≥ 16.0	≥ 9.0	≥ 9.5	≥ 1.75	or ≥ 70% at 5°F/47°F

Table 1: CEE's Most Efficient Tier ASHP Product Specification

The NYS Clean Heat program provides customer rebates for any heat pump listed on the NEEP Cold Climate ASHP List and installed by a participating contractor. **Many heat pumps will qualify for both the NYS Clean Heat rebates and the IRA's 25C tax credit.** To determine the 25C tax credit's maximum value, the household would report the amount paid or incurred during the taxable year; i.e. the installation cost after the incentive has been applied.

Max Out Your Customer's Incentives

1. Look for products that meet both criteria; a) NEEP listed for NYS Clean Heat and b) CEE's most efficient tier for 25C tax credits.
Filter products using the NEEP Cold Climate ASHP List Eligible for Federal Tax Credit for the North climate filter (<https://ashp.neep.org/#/>), or cross compare on CEE's directory (<https://www.ahrinet.org/certification/cee-directory>)*
2. Provide the homeowner with the ASHP model number(s) and Air-Conditioning, Heating, and Refrigeration Institute (AHRI) reference number(s) on your customer invoice for their records.
3. Inform the homeowner that they can apply for the Energy Efficient Home Performance Credit – section 25C – on their 2023 tax returns. Prior to this, they should consult with their tax advisor.
4. The homeowner should list the total NYS Clean Heat project purchase price less the incentive.
5. The homeowner will be eligible to receive 30% of the cost, up to \$2,000, as a tax credit.
6. The household must have sufficient federal tax liability to receive the credit.

*As of 1/9/23, both listings are still under development.

Under the same tax provision, households can save 30 percent of the cost of electric service upgrades associated with heat pump installation, deducting up to **\$600 annually**. The credit covers improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits, or feeders that have a load capacity of at least 200 amps.

