

Home Energy Audits

Cross References

- Notice 2023-59

The Inflation Reduction Act of 2022 amended the provisions under IRC section 25C with respect to the Energy Efficient Home Improvement Credit. The amendments apply to property placed in service after December 31, 2022 and before January 1, 2033. The credit equals 30% of the amounts that individual taxpayers pay or incur during a tax year for:

- 1) Qualified energy efficiency improvements installed during the year,
- 2) Residential energy property expenditures, and
- 3) Home energy audits.

The credit is generally limited to an annual cap of \$1,200. Within this \$1,200 limitation, the credit is further limited to:

- \$600 for any item of qualified energy property,
- \$600 for exterior windows and skylights,
- \$250 for any single exterior door and \$500 in the aggregate for all exterior doors, and
- \$150 for home energy audits.

Residential energy property expenditures for heat pumps, heat pump water heaters, biomass stoves, and biomass boilers are not subject to the annual cap of \$1,200 or to the \$600 limitation for any item of qualified energy property. Instead, residential energy property expenditures for these items are subject to a separate aggregate annual limitation of \$2,000. Residential energy property expenditures includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

To claim the credit, the taxpayer must attach to his or her return such information or documentation as required by the IRS in regulations or other guidance.

The IRS has announced that it intends to propose regulations addressing the requirements for home energy audits. Notice 2023-59 provides the following guidance that will be included in the proposed regulations.

Home energy audit credit. The credit equals 30% of the amount paid or incurred for a home energy audit during the tax year, up to \$150 per tax year.

Home energy audit. A home energy audit is an inspection and written report with respect to a dwelling unit located in the U.S. and owned or used by the taxpayer as his or her principal residence. The audit must:

- 1) Identify the most significant and cost-effective energy efficiency improvements with respect to such dwelling unit, including an estimate of the energy and cost savings with respect to each improvement,

- 2) Be conducted and prepared by a qualified home energy auditor (or under the supervision of a qualified home energy auditor) that meets the certification or other requirements specified by the IRS in regulations or other guidance,
- 3) The written report is prepared and signed by a qualified home energy auditor, and
- 4) The audit is consistent with the most recent Department of Energy (DOE)-led and industry-validated Jobs Task Analysis.

Qualified home energy auditor. A qualified home energy auditor is someone who is certified by a qualified certification program at the time of the home energy audit.

Qualified certification program. A qualified certification program is a certification program that is reviewed and evaluated through the most recent DOE-led and industry-validated Jobs Task Analysis, demonstrating substantial alignment with key duties, tasks, knowledge, skills, and abilities of home energy auditors.

The certification program must satisfy one of the following standards development processes.

- The credentials are developed and maintained in accordance with industry standards using the most recent Department of Labor guidance, or
- The program is accredited by the American National Standards Institute, International Accreditation Service, or other qualified accreditation body.

The Department of Energy (DOE) maintains a list of qualified certification programs on the website at:

<https://www.energy.gov/eere/buildings/25c-energy-efficient-home-improvement-credit>.

Written report. The following information must be included in the written report.

- 1) The qualified home energy auditor's name and employer identification number (EIN) or other type of relevant taxpayer identifying number,
- 2) An attestation that the qualified home energy auditor is certified by a qualified certification program, and
- 3) The name of the qualified certification program.

Substantiation requirement. Taxpayers must maintain and retain the written report signed by the qualified home energy auditor and comply with the instructions for Form 5695, *Residential Energy Credits*.

Transition rule. For audits conducted during the 2023 tax year, a home energy auditor is not required to be a qualified home energy auditor as described in Notice 2023-59. Taxpayers may claim the credit for 2023 if they paid for or incurred expenses for a home energy audit that otherwise meets all of the other requirements of IRC section 25C.