



Inflation Reduction Act of 2022

Course #3331A

Taxes

2 Credit Hours

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INFLATION REDUCTION ACT OF 2022

This course addresses the provisions of the Inflation Reduction Act most likely to be of interest to tax preparers. In so doing, it examines the tax credits available for energy-efficient home improvements, for purchase of new and used electric vehicles, for electric car charging and natural gas powered car fueling devices, and clean energy generation. In addition, it discusses the expanded health insurance premium tax credits and the extension of the limitation of non-corporate taxpayer excess business losses

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Intro
Energy-Efficient Home Improvement Provisions
Electric Vehicle Purchase Incentives
Refueling Property Provisions
Inflation Reduction Act Miscellany

Study the course materials from pages 1 to 47

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Identify the energy-efficient home improvements for which a taxpayer may apply for a tax credit.
- Recognize how to calculate the tax credit available for energy-efficient home improvements.
- Identify qualified energy property.
- Recognize the tax credit rules applicable to the installation of qualified energy property
- Identify a clean vehicle eligible for an electric vehicle tax credit.
- Recognize how to apply the rules governing electric vehicle purchase tax credits.
- Recognize the amount of the tax credits available for installation of an electric vehicle charging station.
- Recall the applicable requirements for eligibility for a charging station tax credit.
- Recognize the taxpayers for whom the expanded premium tax credit is available under the Inflation Reduction Act.
- Recall how to calculate the amount of the premium assistance tax credit available to taxpayers.

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: ENERGY-EFFICIENT HOME IMPROVEMENT PROVISIONS

Chapter Objectives

After completing this chapter, you should be able to:

- Identify the energy-efficient home improvements for which a taxpayer may apply for a tax credit.
- Recognize how to calculate the tax credit available for energy-efficient home improvements.
- Identify qualified energy property.
- Recognize the tax credit rules applicable to the installation of qualified energy property.

INTRODUCTION

H.R. 5376, referred to as the Inflation Reduction Act (IRA), was signed into law on August 16, 2022 and provides tax credits for energy-efficient home improvements, the purchase of electric vehicles, electric car charging and natural gas powered car fueling devices, and clean energy generation. Additionally, the course examines the law's expansion of health insurance premium tax credits and the extension of the limitation of noncorporate taxpayer excess business losses.

Chapter 1 will examine the IRA provisions concerning homeowner tax credits for energy-efficient home improvements and the law's clean energy and efficiency incentives.

ENERGY-EFFICIENT HOME IMPROVEMENT CREDIT

IRA § 13301, **Extension, Increase, and Modifications of Nonbusiness Energy Property Credit**, modifies IRC § 25C (formerly titled Nonbusiness Energy Property) by renaming the section Energy Efficient Home Improvement Credit and provides for a substantially increased and broadened nonrefundable tax credit for various tax-efficient home improvements. A tax credit is available in an amount equal to 30 percent of the sum of the amounts paid or incurred during the taxable year, subject to limitations, by the taxpayer for qualified energy efficiency improvements that include:

- Installation of qualified energy efficiency improvements, including –
 - Energy efficient windows and skylights, and
 - Doors; and
- Energy audits.

In addition, the provision makes tax credits available for amounts paid or accrued for the installation of qualified energy property. Since these tax credits are subject to separate limitations, they will be examined separately.

Qualified Energy Efficiency Improvements

The term “qualified energy efficiency improvements” means any energy efficient building envelope component, provided:

- The component is installed in or on a dwelling unit—a term that includes a manufactured home conforming to Federal Manufactured Home Construction and Safety Standards—located in the United States and owned and used by the taxpayer as the taxpayer’s principal residence;
- The original use of the component commences with the taxpayer; and
- The component reasonably can be expected to remain in use for at least 5 years.

Energy Efficient Building Envelope Component

Since qualified energy efficiency improvements involve the installation of energy efficient building envelope components, we need to understand the term. The term “building envelope component,” as used with reference to the energy efficient home improvement credit, means:

- Any insulation material or system specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on the dwelling unit;
- Exterior windows (including skylights); and
- Exterior doors.

Specifically, the term “energy efficient building envelope component,” as used with respect to the energy efficient home improvement tax credit, means a building envelope component meeting:

- In the case of an exterior window or skylight, Energy Star most efficient certification requirements;
- In the case of an exterior door, applicable Energy Star requirements; and
- In the case of any other component, the prescriptive criteria for the component established by the most recent International Energy Conservation Code standard in effect as of the beginning of the calendar year, which is 2 years prior to the calendar year in which the component is placed in service.

In short, an energy efficient building envelope component means a building envelope component meeting the following requirements:

Component	Certification/Standard Required
Exterior window or skylight	Energy Star most efficient certification requirements
Exterior door	Applicable Energy Star requirements
Other components	The prescriptive criteria for such component established by the most recent International Energy Conservation Code standard in effect as of the beginning of the calendar year which is 2 years prior to the calendar year in which such component is placed in service

Tax Credit Limitations

The credit allowed for individual clean energy and efficiency incentives in any taxable year is generally limited to no more than \$1,200. However, limits also apply separately for:

- Windows, for which the maximum credit allowed with respect to any taxpayer for any taxable year shall not exceed \$600 in the aggregate for all exterior windows and skylights;
- Doors, for which the credit allowed with respect to any taxpayer for any taxable year doesn't exceed—
 - \$250 in the case of any exterior door, and
 - \$500 in the aggregate with respect to all exterior doors.
- Home energy audits, for which the amount of the credit allowed shall not exceed \$150. No credit is allowed for home energy audits unless the taxpayer includes with the taxpayer's tax return such information or documentation as the Secretary may require.

For example, suppose a taxpayer in any year replaced five windows costing \$450 apiece and three exterior doors costing \$700 apiece after receiving a home energy audit report that cost \$250. The applicable limit reduces the total credit to \$1,200.

Energy Efficient Building Envelope Component	Expenditure	Maximum Credit
5 windows @\$450	\$2,250	\$600
3 exterior doors @\$700	\$2,100	\$500
Home energy audit @\$250	\$250	\$150
Total	\$4,600	
30% of sum of expenditures	\$1,380	\$1,200

In addition to providing increased, albeit limited, tax credits for purchasing qualifying energy-efficient windows and doors, IRA § 13301 also authorizes larger tax credits for installing specific types of home heating units referred to as “qualified energy property,” discussed in the following section (see **Qualified Energy Property** below).