

ReVireo[®]

45L Energy Efficient Homes Credit

2022 | WHITE PAPER



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Section 1332 of the Energy Policy Act of 2005 created the 45L Tax Credit for Energy Efficient Homes. This tax credit was created to incentivize developers to bring energy efficient homes to the market for rent or sale to others. The credit has historically received bipartisan support and has been renewed consistently. Most recently, the credit was renewed on August 16, 2022, as part of the Inflation Reduction Act of 2022. As a result, it is now in effect through the end of 2032. The tax credit is now available to all developers of new residential dwelling units, including single-family homes, townhomes, and apartments in all size buildings.

For dwelling units sold or leased as of January 1, 2023, the Section 45L federal tax credit requirements and amounts are listed below.

Single-Family Dwelling Units (including traditional side-by-side townhomes and duplexes)

- Each unit certified under the [**EPA's ENERGY STAR Single Family New Homes Program**](#) is eligible for a \$2,500 federal tax credit.
- Each unit certified under the [**DOE's Zero Energy Ready Homes \(ZERH\) Program**](#) is eligible for a \$5,000 federal tax credit.

Multifamily Dwelling Units (including stacked townhomes and apartment buildings of all sizes)

- Each unit certified under the [**EPA's ENERGY STAR Multifamily New Construction Program**](#) is eligible for a \$500 federal tax credit.
 - If also satisfy prevailing wage requirements, that amount is increased to \$2,500 per unit.
- Each unit certified under the [**DOE's Zero Energy Ready Homes \(ZERH\) Program**](#) is eligible for a \$1,000 federal tax credit.
 - If also satisfy prevailing wage requirements, that amount is increased to \$5,000 per unit.

For dwelling units sold or leased before January 1, 2023, the Section 45L federal tax credit requirements and amounts are listed below.

- The credit is in the amount of \$2,000 per qualified dwelling unit.
- A qualified dwelling unit is any single-family home, townhome, or apartments in buildings three stories or less.
- The requirement for a dwelling unit to qualify is to demonstrate energy savings of 50% or greater compared to a dwelling unit built to the standards of the 2006 International Energy Conservation Code (IECC), with building envelope energy savings accounting for at least 20% of that 50% savings.
- The requirement and amount of the tax credit is different for manufactured homes (e.g., trailers), which this white paper does not discuss but more information can be found [here](#).

A developer can claim the credit for a unit when it is acquired by sale or lease by any individual from the developer for use as a residence. An accredited professional, such as a Residential Energy Services Network (RESNET) Home Energy Rating System (HERS) Rater, must approve a dwelling unit as qualified. The process to qualify a unit involves energy modeling in software (typically during design) to determine material and equipment specifications to qualify, as well as rough and final stage inspections/testing during construction.

The energy modeling software and certifications used for the tax credit can also be used to demonstrate compliance with local energy construction code and utility rebate programs. Reports generated from the energy modeling software can be submitted to municipality in lieu of a REScheck software report. The inspections to confirm compliance with the tax credit overlap with required inspections for local energy construction code compliance and utility rebate programs. By following the HERS Rating process, which includes all energy modeling and inspections for both the tax credit and energy construction code compliance, residential developers can streamline both efforts and gain the option to pursue local utility rebates.

Developers can leverage local utility company energy efficiency rebate programs to offset costs to qualify for the Section 45L tax credit. This is because the requirements for the Section 45L tax credit overlap with the requirements of many local utility rebate programs. By earning [ENERGY STAR](#) and/or [DOE ZERH](#) certification, developers can earn both the tax credit and receive rebates.

Developers of apartment buildings over three stories may be able to leverage the [Section 179D tax deduction](#) to offset costs to qualify for the Section 45L tax credit. Such developers can deduct the cost of energy efficient equipment and materials used to earn [ENERGY STAR](#) and/or [DOE ZERH](#) certifications and qualify dwelling units in those buildings for the Section 45L tax credit.

ReVireo is not a tax professional. Contact your tax professional to discuss the tax provisions of this credit.

The following sources are available for further information:

→ [IRS Form 8908](#)

→ [Inflation Reduction Act of 2022](#)