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45L Energy Efficient Home Credit

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Section 1332 of the Energy Policy Act of 2005 created the 45L Tax Credit for Energy Efficient Homebuilders. 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 extended on December 27, 2020, as part of the Consolidated Appropriations Act, 2021. As a result, it remains in effect through the end of 2021.

This tax credit is available to developers of new single-family homes, townhomes, and apartments in buildings three stories or less. The credit is in the amount of \$2,000 per qualified dwelling unit. The requirement to claim the credit for a dwelling unit 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 such homes but more information on them can be found [here](#).

A developer can claim the credit if the individual or entity constructed the home, and it was acquired by sale or lease by any individual from the developer for use as a residence. A Residential Energy Services Network (RESNET) accredited professional such as a 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) as well as rough and final stage inspections/testing during construction.

Most of the energy modeling software used for the tax credit can also be used to demonstrate compliance with local energy construction code, certification programs such as ENERGY STAR and DOE Zero Energy Ready Homes (ZERH), and local 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 energy construction code compliance, certification programs such as ENERGY STAR and ZERH, and local 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 certifications and rebates.

Legislation has been introduced in Congress to extend the tax credit beyond the end of 2021, while modifying both the requirements and the amount. Historically it has always been renewed and has remained in effect since it was first established in 2005.

The following sources are available for further information:

[→ IRS Notice 2006-27](#)

[→ IRS Form 8908](#)

[→ Consolidated Appropriations Act, 2021](#)