

# ENERGY EFFICIENT

## HOME IMPROVEMENT TAX CREDIT (25C)

BIG SAVINGS AVAILABLE FOR HOMEOWNERS



The Energy Efficient Home Improvement Tax Credit (25C) is part of the Inflation Reduction Act (IRA), which was signed in 2022 and includes nearly \$370B for climate and energy programs. It is intended to highlight energy-efficient solutions by providing homeowners credits on HVAC products that meet the 2023 highest non-advanced Consortium for Energy Efficiency (CEE) tier.

- Up to \$2,000 for qualified heat pumps, which have a separate aggregate yearly limit; the maximum total yearly 25C credit amount may be up to \$3,200.
- Up to 30% of installed costs for qualified equipment expenditures with an annual maximum of \$1,200:
  - ▶ Eligible equipment includes:
    - Up to \$600 for qualified furnaces (which can pair with heat pumps)
    - Up to \$600 for qualified air conditioners
    - Up to \$600 for electrical upgrades to enable the installation of other qualifying equipment

The 25C program includes generous annual limits (not lifetime), meaning that the same customer could benefit from the credit with energy efficient upgrades year after year. Additionally, the program extends until December 31st, 2032.

### Qualifying Consortium for Energy Efficiency Tiers

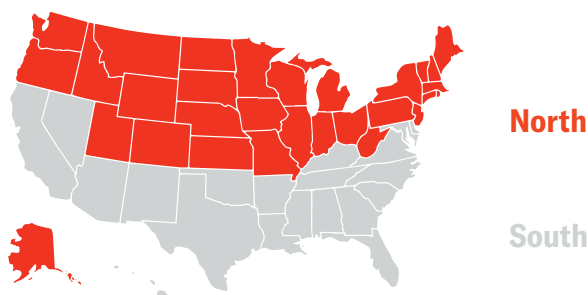
The CEE defines efficiency tiers for Residential HVAC, which determine the equipment that qualifies for the 25C homeowner tax credit. As part of the Electric Equipment update in 2022, the CEE introduced a geographical component for Heat Pumps (North, South).

**Reference Table: Highest Non-Advanced 2023 CEE Tiers**

25C TAX CREDIT*	PRODUCT	OFFERING	CEE REGIONS	AFUE	SEER2	EER2	HSPF2	COP AT 5°F	CAPACITY RATIO
Up to \$600	Furnaces	Gas	National	≥97%	-	-	-	-	-
Up to \$600	Air Conditioners	Split Ducted	National	-	≥16	≥12	-	-	-
		Ductless	National	-	≥16	≥12	-	-	-
		Packaged	National	-	≥15.2	≥11.5	-	-	-
Up to \$2,000	Air Sourced Heat Pumps	Split Ducted	North	-	≥15.2	≥10	≥8.1	≥1.75	≥58% (17°F/47°F) or ≥70% (5°F/47°F)
		Ductless	North	-	≥16	≥9	≥9.5		
		Packaged	North	-	≥15.2	≥10	≥8.1		
		Split Ducted	South	-	≥15.2	≥11.7	≥7.8	-	-
		Ductless	South	-	≥16	≥12	≥9	-	-
		Packaged	South	-	≥15.2	≥10.6	≥7.2	-	-

\*The information in the table is subject to change based on direction provided by the IRS. When new information becomes available, we'll post and adjust as needed.

### CEE Regional Breakdown



### Example System & Credit Combinations

PRODUCT	OFFERING	OUTDOOR	INDOOR	MAXIMUM CREDIT
AIR CONDITIONER	Ducted	Non-Qualified AC System (\$0)	Qualified Furnace (\$600)	\$600
		Qualified AC System (\$600)	Non-Qualified Furnace, or Air Handler (\$0)	\$600
		Qualified AC System (\$600)	Qualified Furnace (\$600)	\$1,200
	Ductless	Qualified AC System (\$600)		\$600
	Packaged	Qualified AC System (\$600)		\$600
PRODUCT	OFFERING	OUTDOOR	INDOOR	MAXIMUM CREDIT
HEAT PUMP	Ducted	Qualified HP System (\$2,000)	Non-Qualified Furnace, or Air Handler (\$0)	\$2,000
		Qualified HP System (\$2,000)	Qualified Furnace (\$600)	\$2,600
	Ductless	Qualified HP System (\$2,000)		\$2,000
	Packaged	Qualified HP System (\$2,000)		\$2,000

### Homeowner Tax Credit Filing Process

It is recommended that homeowners consult a tax professional to determine eligibility. In addition, homeowners should download and retain the manufacturer’s certificate for their records. If eligible, Form 5695 should be submitted to the IRS with the homeowner’s tax return.

### MORE INFORMATION & RESOURCES

Check out the Hub on ComfortSite to find the most up-to-date resources regarding the Inflation Reduction Act, including 25C tax credit qualifying systems, tax credit podcasts, downloadable resources, and more.

Visit [ComfortSite > Marketing > Playbook HUB > Electrification of Heat Hub – Inflation Reduction Act Resources](#)

In addition, [trane.com/residential](#) provides details on the Inflation Reduction Act and includes an interactive tool for consumers to determine incentives available in their area.

Visit [trane.com/residential > Pricing > Offers, Rebates & Tax Credits](#) or scan the QR code.



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