

What's in the Inflation Reduction Act that grows the market for Insulation?



This guide is a first look at how the **Inflation Reduction Act** might affect the **insulation market**. More information on how to access these tax credits and programs will become available as implementing guidelines are developed.

NAIMA is the association for North American manufacturers of fiber glass, rock wool, and slag wool insulation products. Its role is to promote energy efficiency and environmental preservation through the use of fiber glass, rock wool, and slag wool insulation, and to encourage the safe production and use of these materials. Through the **Insulation Institute™**, NAIMA leverages the collective insulation expertise of the association and its members to empower homeowners and professionals to make informed insulation choices.

Residential Retrofit Incentives



New and Retrofit Commercial Incentives



New Home Incentives



Efficient Building Envelopes Through Energy Codes



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Residential Retrofit Incentives

Residential Efficiency Tax Credit (25C)

PREVIOUS LAW

- **10%** cost of insulation material up to \$500
- Credit is subject to a taxpayer lifetime limit of \$500
- Credit currently expired

INFLATION REDUCTION ACT

- **30%** of insulation and air sealing materials up to \$1,200
- Credit available on a yearly basis
- Home energy audits covered up to \$150
- Previous law's credit restored through 2022. Enhanced credit amount applies from January 1, 2023 to December 31, 2032

HOMES Act

- \$4.3 billion to fund DOE-approved state rebate program for performance-based whole home efficiency upgrades
- Rebates available to both individual homeowners and aggregators
- **For homes achieving 20-35% modeled energy savings** – rebate of the lesser of \$2,000 or 50% project cost
- **For homes achieving at least 35% modeled energy savings** – rebate of the lesser of \$4,000 or 50% project cost
- **For homes achieving at least 15% measured energy savings** – rebate payment rate per kWh saved, equal to \$2,000 for a 20% reduction, or 50% project cost
- Multifamily rebates are capped at \$200,000 per multifamily building for units that model energy savings of 20-35%; \$400,000 for buildings that model savings of more than 35%
- States may increase rebate amounts for low-income housing
- Rebates under this program may not be combined with other federal grants or rebates (*but can be combined with the 25C homeowner tax credit*)

DOE Electrification Rebate Program

- \$4.5 billion for state and rebate programs for home electrification upgrades, including insulation
- \$1,600 rebates for insulation, air sealing and ventilation / \$14,000 cap on multiple rebates to an eligible entity
- 50% of the cost of insulation up to \$1,600 for households with annual incomes of 80-150% of area median income
- **100% of the cost of insulation up to \$1,600 for households with annual incomes less than 80% of area median income**
- Same conditions apply to multifamily units where 50% of the residents meet the income requirements
- Electric home rebates may not be combined with any other Federal grant or rebate (*but may be used in tandem with the 25C tax credit*)
- Government, commercial or non-profit entities that receive the rebate and install insulation in a qualifying low-income home may receive an additional \$500 for installation

State-Based Home Energy Efficiency Contractor Training Grants

- \$200 million in grants for state programs that train and educate contractors involved in the installation of home energy efficiency and electrification improvements





Residential Retrofit Incentives *(continued)*

HUD Affordable Housing Upgrades

- **\$4 billion in loan authority** to fund projects in low-income housing that improve energy efficiency, improve air quality, promote low carbon building materials, or promote building electrification
- HUD may issue direct loans, grants, or convert loans into grants for recipients that agree to an extended period of affordability for the property
- Funding is available through September 30, 2028

DOE Weatherization

- An **additional \$3.5 billion** is provided through state formula block grants to support weatherization programs
- Prevailing wage requirements apply to multifamily buildings with more than five units



New and Retrofit Commercial Incentives

Commercial Tax Credit (179D)

PREVIOUS LAW

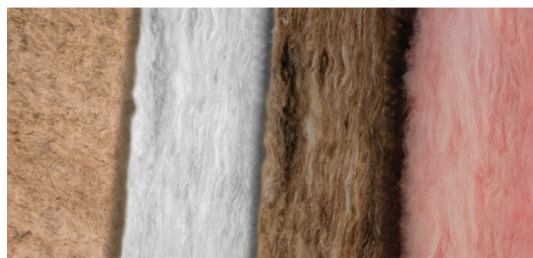
- Scaled incentive up to \$1.88 per square foot for owners of new or existing buildings who install (1) interior lighting; (2) building envelope improvements; or (3) heating, cooling, or ventilation that reduces power usage up to 50% over ASHRAE 90.1-2019
- Permanent tax credit

INFLATION REDUCTION ACT

- Applies to new property placed in service after December 31, 2022
- Scaled incentive ranging from \$.50 per square foot for 25% efficiency improvements over ASHRAE 90.1-2019 to \$1.00 per square foot for 50% improvements
- **Incentives quintupled, starting at \$2.50 per square foot** and increasing to a maximum of \$5.00 per square foot for improvements made in compliance with prevailing wage and apprenticeship requirements
- Qualified retrofits must be for buildings that are at least 5 years old and must achieve efficiency improvements of at least 25%
- Applies to commercial and large multifamily buildings

School Incentive Program

- DOE will make competitive grants to schools to make energy efficiency improvements that result in a direct reduction in school energy costs
- **Priority is given to schools** serving economically disadvantaged (including rural) communities
- \$500 million in funding, available through 2026





New Home Incentives

Builder New Home Tax Credit (45L)

PREVIOUS LAW

- Builder credit of \$2,000 per home
- Must be modeled 50% more efficient than the 2006 IECC, with 20% of efficiency savings from the building envelope

INFLATION REDUCTION ACT

- Builder **credit of \$2,500** for single family homes that meet ENERGY STAR Version 3.2 and meet 2021 IECC prescriptive envelope standards
- Builder credit of \$5,000 for homes that meet DOE Zero Energy Ready Home standard
- Builder credit of \$500 / \$1,000 for multifamily units, with incentives increasing to \$2,500 / \$5,000 when meeting prevailing wage requirements
- Previous law's credit restored through 2022. Enhanced credit amount applies from January 1, 2023 to December 31, 2032

Commercial and Industrial Audit and Grant Program

- Capitalization grants to state energy offices to provide grants to building owners to conduct residential and commercial energy audits and no-interest loans to carry out prescribed retrofits
- **Funding is \$250 million until expended**



Efficient Building Envelopes Through Energy Codes

\$1.25 Billion in State Energy Code Support

- \$330 million in grants to assist states and local governments to adopt energy codes that meet or exceed the 2021 IECC / ASHRAE 90.1-2019
- **\$670 million in grants** to states and local government to promote zero energy residential and commercial codes
- Funded programs must include active training and enforcement programs and measurement of compliance rates each year
- The Infrastructure Act contains an additional \$225 million for state code adoption activities

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