

The Inflation Reduction Act

HVAC opportunities through tax credits and rebates

WHAT YOU NEED TO KNOW



DAIKIN COMFORT TECHNOLOGIES NORTH AMERICA, INC.



Table of Contents

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What is the Inflation Reduction Act?	3-4
Inflation Reduction Act Rebate Programs.....	5-6
a. HEEHR.....	5
b. HOMES	6
Inflation Reduction Act HVAC-Related Tax Credits	7-11
a. Section 25C – Residential Tax Credit and Qualifying Equipment.....	7-9
b. Section 45L – Home Buyer Tax Credit.....	10
c. Section 179D – Commercial Building Tax Deduction	11

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Qualifying equipment list will be updated as new products are available.
For more information, visit www.hvaclearningcampus.com

Glossary

ENERGY STAR® - The ENERGY STAR program highlights energy efficient products that have been certified to use less energy than their standard counterpart products. ENERGY STAR heating and cooling products are proven to save energy without sacrificing features or functionality.

Consortium of Energy Efficiency (CEE) - A consortium of efficiency program administrators from the United States and Canada. Members work to unify program approaches across jurisdictions to increase the success of efficiency in markets.

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What is the Inflation Reduction Act?

** This information does not, and should not be considered tax advice. All information is for general purposes only. Contact your tax professional for specific, applicable details.*

The Inflation Reduction Act is a federal law that is designed to address inflation, the current climate crisis and promote clean energy. A portion of the law funds state-administered HVAC rebate programs, such as the High-Efficiency Electric Home Rebate (HEEHR) program and the Energy Performance-Based Whole-Home (HOMES) program, as well as modified and extended HVAC tax incentives (25C Tax Credit, 45L Tax Credit, 179D Tax Deduction).*

The Inflation Reduction Act created a 10-year, historic plan for point-of-sale rebates and HVAC-related tax incentives for customers to invest in energy-saving retrofits and replace outdated and inefficient HVAC systems, including fossil-fuel systems, with eligible, high-efficiency ENERGY STAR® products.

What's in the Inflation Reduction Act ?

- *Nearly \$9 billion in federally funded, state-administered rebates on select ENERGY STAR certified equipment*
- *Extension and expansion of 25C, 25D, and 45L tax credits for CEE Highest Efficiency and select ENERGY STAR certified equipment installed in existing and new homes, including multifamily units*

When do the programs and incentives of the Inflation Reduction Act begin?

- *Rebate programs are expected to be funded and ready for state distribution in late 2023 or early 2024.*
- *Qualified 2022 equipment installs may be eligible for tax credits. Retroactive implementation means some taxpayers may not know they were eligible for credit for qualified installs.*
- *New, expanded tax incentive programs begin January 1, 2023.*



What is the Inflation Reduction Act

What does the Inflation Reduction Act mean for YOU?

As an HVAC professional, homeowners count on your expertise – especially when it comes to recommending heating and cooling equipment that provides additional energy-efficiency for the home. Now homeowners may also ask you about qualifying HVAC equipment related to tax incentives and rebates.

Tax credits and point-of-sale rebates may equal thousands of dollars for the installation of high-efficiency HVAC equipment. In fact, many low-to-middle income customers may be eligible for free or significantly discounted qualifying ENERGY STAR® heat pumps due to rebate amounts.*

As an HVAC professional, the Inflation Reduction Act could mean more:

- Replacements
- Upgrades
- Contributions to sustainability
- Income and profit
- Happy customers!

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As you continue to navigate the HVAC opportunities associated with the Inflation Reduction Act:

1. Educate your customers about the benefits of high-efficiency systems and electrification.
2. Pay attention to your state's rebate program details as they come available in late 2023 or early 2024.
3. Talk to your 2022 customers who purchased qualifying systems to inform them of retroactive tax credit opportunities. Amana® brand, Daikin and Goodman® brand tax certificates are available online.
- 4. Remind customers to consult a tax professional to determine tax incentives for qualifying purchases.**



Inflation Reduction Act HVAC Rebate Programs



The High-Efficiency Electric Home Rebate (HEEHR) program and Home Energy Performance-Based Whole-House Rebate Program (HOMES) rebates will be overseen by each state's State Energy Office. While the same project cannot receive rebates from both rebate programs, they may be combined with existing federal tax incentives or state incentive programs.

The Inflation Reduction Act created new opportunities for homeowners to make energy saving retrofits to their homes through state rebate programs that will total nearly \$9 billion. The law created two robust rebate programs that are expected to be up and running by the end of

2023 or early 2024. Contractors will be the gateway to the rebates for customers. The Department of Energy is working now to set up the rebate programs with the states.

HEEHR: High Efficiency Electric Home Rebate

Eligibility

HEEHR rebates are income-based, and the rebate values are not guaranteed for every household. Select HVAC equipment's eligibility is based on ENERGY STAR® 6.1 specifications.

Potential Rebate Values

Pending individual state programs funding, consumers can qualify for income-dependent rebates of the following:

- Up to \$8,000 for all-electric ENERGY STAR heat pumps to eligible homeowners and other qualifying individuals
- Up to \$1,600 insulation, air sealing, and ventilation
- Up to \$4,000 for electric load service center
- Up to \$2,500 for electric wiring
- Up to \$14,000 per household in total if receiving multiple rebates

HEEHR incentivizes contractors to perform electrification projects in low to moderate income level communities with contractor rebates up to \$500 per project.

Product Criteria

All ENERGY STAR Certified heat pumps, when part of new construction, replacement of non-electric appliance, or first-time purchases, are eligible for this rebate program. Households with existing electric resistance heating cannot receive HEEHR rebates for a replacement heat pump. However, these customers may qualify for the HOMES rebate (see criteria on page 6).

HEEHR is designed for customers to receive the equivalent of the rebate through a point-of-sale discount.

The full value of the rebate is mandated to be passed directly to the consumer. HVAC professionals should utilize their state-authorized HEEHR calculator, when available, to determine qualifying rebate amounts.

Low Income* 80% Median Income

100% rebate for up to \$8,000
for heat pump systems

Rebate comes in the form of a discount
at the point-of-sale

Moderate Income 80% to 150% Median Income

50% rebate for up to \$8,000
for heat pump systems

Customer pays contractor for
system, 50% rebate paid from
state agency up to \$8,000

(the language in the bill allows for the rebates
to take effect at the point of sale.)

* Low-income households mean an individual or family with a total income less than 80% of the median income of where they reside, as per Housing and Urban Development guidelines.



Inflation Reduction Act HVAC Rebate Programs

HOMES: Home Energy Performance-Based Whole-House Rebate Program

The Inflation Reduction Act created the HOMES rebate program to encourage all home-owners (not restricted by income) to upgrade efficiency and retrofit their home's energy use through electrification.

The retrofit rebate incentive is up to \$2,000 for modeled energy savings between 20% and 35%, and up to \$4,000 for 35% or greater modeled energy savings, but these incentives are doubled for low and moderate-income households.*

- Single-family, high-income households who do not qualify for HEEHR discounts because of income limitations may qualify for a modeled energy savings rebate of up to \$4,000.
- The HOMES retrofit rebate may benefit low and moderate-income households* with existing electric resistance heating since replacing this type of equipment does not qualify for the point-of-sale HEEHR discounts.

Criteria

Contractors must provide modeled or measured energy savings to support accurate valuation of the retrofit. Individual results may vary and should be evaluated by an accredited contractor and certified by a third-party.†

Contractor Retrofit Training Grants

The Department of Energy will be distributing \$200 million to the states for retrofit training so contractors can get accredited. Funding opportunities for training are expected to be announced in the spring of 2023. Watch for retrofit accreditation training opportunities on the HVAC Learning Campus website, www.hvaclearningcampus.com.

The HOMES rebate program is designed for performance-based market incentives to be paid to contractors, installers, or home performance companies. To qualify for rebates, each home energy efficiency retrofit will require:

- A certificate provided by the contractor and certified by a third party to the homeowner
- Details of work performed, the equipment and materials installed, and the projected energy savings or energy generation to support accurate valuation of the retrofit

* Low-income households mean an individual or family with a total income less than 80% of the median income of where they reside, as per Housing and Urban Development guidelines.

† Watch the HVAC Learning Campus for accreditation opportunities and third-party verification tools.

Incentive Tiers

	Energy Savings	Rebate Amounts	Low*- or Moderate Single-Family
Single-Family Retrofits	15% or more measured energy savings	Either 50% of the costs or \$100 per percentage reduction of energy use for the average home in the State	Either 80% of the costs or \$200 per percentage reduction of energy use for the average home in the State
	20-35% or more modeled energy system savings	50% of the project costs, up to a \$2,000 rebate per home	80% of the project costs, up to a \$4,000 rebate per home
	More than 35% modeled energy system savings	50% of the project costs, up to a \$4,000 rebate per home	80% of the project costs, up to a \$8,000 rebate per home
	Energy Savings	Rebate Amounts	Low*- or Moderate Multifamily
Multifamily Retrofits	15% or more measured energy savings	Either 50% of the costs or \$100 per percentage reduction of energy use for the average multifamily building in the State	Either 80% of the costs or \$200 per percentage reduction of energy use for the average multifamily building in the State
	20-35% or more modeled energy system savings	\$2,000 rebate per unit, with a maximum of \$200,000 per multifamily building	80% of the project costs, up to a \$4,000 rebate per unit
	More than 35% modeled energy system savings	\$4,000 rebate per unit, with a maximum of \$400,000 per multifamily building	80% of the project costs, up to a \$8,000 rebate per unit



Inflation Reduction Act HVAC-Related Tax Credits*

TAXES



The Inflation Reduction Act modified federal tax incentives for energy-efficient home improvements, including the installation of heat pumps and energy audits. It cites tax credit eligibility based on products that meet or exceed the highest efficiency Consortium of Energy Efficiency (CEE)** tier, but do not include any advanced tier.

NOTE: Energy-efficiency standards can be modified and updated over time without additional legislative action.

Section 25C: Energy Efficient Home Improvement Credit (Residential Tax Credit)

What is the 25C Tax Credit?

The Energy-Efficiency Home Improvement Credit is a long-standing residential federal tax credit for home energy improvements.

- The 10% tax credit and \$500 lifetime limit were retroactively extended for January 2022 to Dec. 31, 2022 installs to include highest efficiency tier established by the CEE, as of 1/1/2009.
- Beginning January 1, 2023 to Dec 31, 2032, the incentive increases to 30%, with an annual limit of \$1,200 and a \$600 per-item limit.

- Special treatment for heat pump products in 25C means the annual qualified heat pump products is up to \$2,000 in tax credits.

Tax credit parameters indicate a \$2,000 tax credit for heat pumps. In addition, there is a \$1,200 aggregate yearly tax credit maximum for all building envelope components, home energy audits, and energy property, for a total maximum up to \$3,200.

See the [Amana®](#) brand, [Daikin](#) and [Goodman®](#) brand Tax Credit webpages for tax certificates and additional details.

Modifications to Existing Section 25C (Part 2) – Energy Efficient Improvement Credit

- Any dwelling unit used as a residence by the taxpayers (not limited to primary residence) is eligible.
- The \$500 lifetime limit has been removed and is now a \$1,200 annual limit (with the \$2,000 exemption), allowing additional claims for retrofits over time.

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** Consortium of Energy Efficiency (CEE) - A consortium of efficiency program administrators from the United States and Canada. Members work to unify program approaches across jurisdictions to increase the success of efficiency in markets. The Act cites eligibility based on products that meet or exceed the highest efficiency tier, but does not include any advanced tier.



25C Qualifying Equipment* - January 1, 2022 - December 31, 2022

Limit	10% of installed cost up to capped amount
Total Claim	\$500 lifetime limit
Equipment Criteria	Highest Efficiency tier by the CEE, as of 1/1/2009

Daikin 25C Qualifying Equipment

Equipment Type	2022 Tax Credit	Minimum Efficiency	25C Eligible Daikin Products (2022)
Split System Air Source Heat Pump	\$300	HSPF ≥ 8.5 EER ≥ 12.5 SEER ≥ 14.0	DZ14SN, DZ14SA, DZ16SA, DZ16TC, DZ18TC, DZ18VC, DZ20VC
Ductless Heat Pump	\$300	SEER ≥ 15.0 EER ≥ 12.5 HSPF ≥ 8.5	2MXL, 3MXL, 4MXL, RX**AX, RX**NM, RX**QM, RX**RM, RXG, RXL, RXM, RXS, RXSQ
Ductless Air Conditioner	\$300	SEER ≥ 16.0 EER ≥ 13.0	RZR
Split System Air Conditioner	\$300	SEER ≥ 16.0 EER ≥ 13.0	DX5SE, DX7TCA, DX16SA, DX16TC, DX17VS, DX18TC, DX20VC
Package System Air Source Heat Pump	\$300	HSPF ≥ 8.0 EER ≥ 12.0 SEER ≥ 14.0	DP14HH, DP16HH, DP16HM, DRH, DSH, DTH
Package System Central Air Conditioner	\$300	SEER ≥ 14.0 EER ≥ 12.0	DP14CH, DP15CH, DRC, DSC, DTC
Package System Dual-Fuel	\$300	HSPF ≥ 8.0 EER ≥ 12.0 SEER ≥ 14.0	DP14DM
Gas Furnace	\$150	AFUE ≥ 95%	DC96VC, DC97MC, DM96VC, DM96VE, DC96SN, DC96TN, DC96VC, DC97MC, DM96SC, DM96SN, DM96TN, DM97MC
Equipment Containing Advanced Main Circulating Fan	\$50	Uses no more than 2% of total energy	DC80SN, DC80TN, DC80VC, DM80SE, DM80SN, DM80VC, DC96VC, DC97MC, DM96VC, DM96VE, DM97MC, DBG, DFG, DRG, DP14DM, DP14GM, DP14UM, DP16GM, DP16UM, DP3UM

Amana® brand 25C Qualifying Equipment

Equipment Type	2022 Tax Credit	Minimum Efficiency	25C Eligible Amana brand Products (2022)
Split System Air Source Heat Pump	\$300	HSPF ≥ 8.5 EER ≥ 12.5 SEER ≥ 14.0	ANZ14, ASZ14, ASZ16, ASZC16, ASZC18, ASZC20, DSZC16, DSZC18, GSZ14, GSZ16, GSZC16, GSZC18, GVZC20, VSZ14
Split System Air Conditioner	\$300	SEER ≥ 16.0 EER ≥ 13.0	ASX16, ASXC16, ASXC18, ASXC7, ASXH5, AVXC2, GSX16, GSX16S, GSXC16, GSXC18, GVXC20
Package System Air Source Heat Pump	\$300	HSPF ≥ 8.0 EER ≥ 12.0 SEER ≥ 14.0	APH14, APH16, GPH14, GPH16
Package System Central Air Conditioner	\$300	SEER ≥ 14.0 EER ≥ 12.0	APC14, GPC14, GPC15
Package System Gas/Electric	\$300	SEER ≥ 14.0 EER ≥ 12.0	APC14, GPC14, GPC15
Package System Dual-Fuel	\$300	HSPF ≥ 8.0 EER ≥ 12.0 SEER ≥ 14.0	APD14, GPD14
Gas Furnace	\$150	AFUE ≥ 95%	AC9C96, AC9S96, ACVC96, ACVM97, AM9C96, AM9S96, AMEC96, AMES96, AMVC96, ANVM97, AMVS96
Equipment Containing Advanced Main Circulating Fan	\$50	Uses no more than 2% of total energy	AC9C80, AC9S80, ACES80, ACVC80, AM9S80, AMES80, AMES92, AMVC80, ACVC96, ACVM97, AMEC96, AMES96, AMVC96, AMVM97, APD14, APG14, APG16, APGM3, APU14, APUM3

* On select models and select combinations only. Refer to the tax credit certificates and AHRI for final confirmation of qualifying systems.

** Various tonnages



25C Qualifying Equipment* - Continued

Goodman® brand 25C Qualifying Equipment

Equipment Type	2022 Tax Credit	Minimum Efficiency	25C Eligible Goodman brand Products (2022)
Split System Air Source Heat Pump	\$300	HSPF ≥ 8.5 EER ≥ 12.5 SEER ≥ 14.0	GSZC16, GSZC18, GSZ14, GSZ16, GSZC16, GSZC18, GVZC20, VSZ14
Split System Air Conditioner	\$300	SEER ≥ 16.0 EER ≥ 13.0	GSX16, GSXC16, GSXC18, GSXC7, GSXH5, GVXC20
Package System Air Source Heat Pump	\$300	HSPF ≥ 8.0 EER ≥ 12.0 SEER ≥ 14.0	GPH14, GPH16
Package System Central Air Conditioner	\$300	SEER ≥ 14.0 EER ≥ 12.0	GPC14, GPC15
Package System Gas/Electric	\$300	SEER ≥ 14.0 EER ≥ 12.0	GPG16
Package System Dual-Fuel	\$300	HSPF ≥ 8.0 EER ≥ 12.0 SEER ≥ 14.0	GPD14
Gas Furnace	\$150	AFUE ≥ 95%	GC9C96, GC9S96, GCES96, GCVC96, GMVM97, GCMV97, GM9C96, GM9S96, GMES96, GMEC96, GMVS96, GMVC96, VC9S96, VM9S96
Equipment Containing Advanced Main Circulating Fan	\$50	Uses no more than 2% of total energy	GC9C80, GC9S80, GCES80, GCES96, GCVC80, GCVC96, GCMV97, GM9S80, GMEC96, GMES80, GMES92, GMES96, GMVC80, GMVC96, GMVM97, GPD14, GPG14, GPG16, GPGM3, GPU14, GPUM3, VC9S80, VM9S80

* On select models and select combinations only. Refer to the tax credit certificates and AHRI for final confirmation of qualifying systems.

2023-2032 25C Limits and Qualifying Criteria

2023 - 2032 Limit	30% of installed cost up to capped amount
Total Claim	\$1,200 annual limit and \$2,000 for qualifying heat pumps
Equipment Criteria	Highest CEE efficiency tier (not including any advanced tier) when placed into service.**

2023-2032 Tax Credit	Equipment Type	Minimum Efficiency		
\$2,000	Air Source Heat Pump	South and Southwest		North
		Ducted	CEE TIER 1 HSPF2 ≥ 7.8 EER2 ≥ 11.7 SEER2 ≥ 15.2	CEE TIER 1 HSPF2 ≥ 8.1 EER2 ≥ 10.0 SEER2 ≥ 15.2
	Ductless/Mini-Split	CEE TIER 2 HSPF2 ≥ 9.0 EER2 ≥ 12.0 SEER2 ≥ 16.0	CEE TIER 2 HSPF2 ≥ 9.5 EER2 ≥ 9.0 SEER2 ≥ 16.0	Capacity Ratio*** ≥ 58% at 17°F/47°F OR ≥ 70% at 5°F/47°F
\$2,000	Package System Air Source Heat Pump	South CEE TIER 1 HSPF2 ≥ 7.2 EER2 ≥ 10.6 SEER2 ≥ 15.2	North CEE TIER 1 HSPF2 ≥ 8.1 EER2 ≥ 10.0 SEER2 ≥ 15.2	
\$600	Split System Central Air Conditioner	CEE TIER 2 SEER2 ≥ 16.0 EER2 ≥ 12.0		
\$600	Package System Central Air Conditioner	CEE TIER 1 SEER ≥ 15.2 EER ≥ 11.5		
\$600	Gas, Propane or Oil Furnace and Fans	CEE TIER 3 AFUE ≥ 97%		
\$600	Improvements or replacement of panelboard, subpanel board, branch circuits	** Criteria not static and will change if CEE amends criteria.		
\$150	Qualified Home Energy Audits	***For further details, see CEE Residential Electric HVAC Specification - January 1, 2023		



Inflation Reduction Act HVAC-Related Tax Credits*

Section 45L: Residential Tax Credit Paid to Homebuilder of Single-Family and Multifamily Homes

- Extends the energy-efficient new home credit through December 31, 2032
- Increases credit to \$2,500 for new single-family homes that meet certain ENERGY STAR[®]** efficiency standards
- A \$5,000 credit would be available for new homes that are certified as zero-energy ready homes. For multifamily buildings eligible to be certified as zero-energy ready, a \$5,000 credit per dwelling unit would be available if the laborers and mechanics are paid prevailing wages. Guidance on prevailing wage rules is located here:

<https://www.govinfo.gov/content/pkg/FR-2022-11-30/pdf/2022-26108.pdf>

For homes acquired/ sold in 2022	For homes acquired after Dec. 31, 2022 and before Jan 1, 2033	
	Single-Family	Multifamily
\$2,000 per dwelling unit	\$2,500 for homes meeting the ENERGY STAR Residential New Construction program requirements or the ENERGY STAR Manufactured New Homes Program requirements	\$500 per dwelling unit eligible to participate in the ENERGY STAR Multi-family New Construction Program
\$1,000 for qualifying manufactured homes	\$5,000 for meeting DOE Zero Energy Ready Home requirements as in effect on January 1, 2023	\$1,000 per dwelling unit for meeting the DOE Zero-Energy Ready Home Program requirements as in effect on January 1, 2023

Multifamily: If prevailing wage is paid to all laborers and mechanics by contractors and subcontractors:

- \$2,500 per dwelling unit eligible to participate in the Energy Star Multifamily New Construction Program
- \$5,000 per dwelling unit certified as zero-energy ready under the DOE Zero-Energy Ready Home Program



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** Proper sizing and installation of equipment is critical to achieve optimal performance. Split system air conditioners and heat pumps must be matched with appropriate evaporator coil and air handler components to meet ENERGY STAR criteria. Visit www.energystar.gov for more details.



Inflation Reduction Act HVAC-Related Tax Credits*

Section 179D (Commercial Building Tax Deduction)

- Modified 179D starts January 1, 2023
- Updates efficiency requirements, providing that a qualifying building must increase its efficiency relative to a reference building by 25%
- Creates new sliding scale to calculate tax deduction
- Removes partial deduction certifications
- Provides bonus for projects paying technicians and workers local prevailing wage and meeting apprenticeship requirements



Qualifying criteria

- Minimum annual energy use threshold reduced from 50%-25% on a sliding scale
- Alternative calculation method based on actual performance is now available
- Deduction can be reset after four years (or three in some cases) for further retrofit measures
- Based on version of ASHRAE standard in effect 4 years before completion of construction

Deduction values are robust

- Up to \$5/sq. ft. when paying prevailing wages during construction and when using approved apprentice requirements

Eligibility

- Nearly all commercial buildings are now eligible
- Non-profit or tax-exempt building owners, churches, religions organizations, tribal organizations, school and universities may pass deduction on to the person primarily responsible for designing the property and apprentice

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Daikin Industries, Ltd. (DIL) is a Fortune 1,000 company with more than 84,870 employees worldwide and is the world's #1 indoor comfort solutions provider. Daikin Comfort Technologies North America (DNA), Inc is a subsidiary of DIL, providing Daikin, Amana® brand, Goodman® brand, and Quietflex® brand products. DNA and its affiliates manufacture heating and cooling systems for residential, commercial, and industrial use and are sold via independent HVAC contractors. DNA engineering and manufacturing is located at Daikin Texas Technology Park near Houston, TX. For additional information, visit www.northamerica-daikin.com.

Daikin and its family of brands:



Our continuing commitment to quality products may mean a change in specifications without notice.

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