



INFLATION REDUCTION ACT (IRA) OPPORTUNITIES AND CHALLENGES

MARCH 2023

AmerenIllinoisSavings.com

What is the Inflation Reduction Act (IRA)?

- Federal legislation passed in August 2022 to curb inflation by investing in a range of things, including clean energy.
 - ≈\$400B in funding until at least 2032
 - ≈45 different programs/initiatives
- Funding for: energy efficiency, clean energy, transportation, electrification, grid improvement, union jobs, climate and environmental justice, etc.
- Relevant funds for Ameren Illinois and customers:
 - [*Forthcoming*] Rebates for energy investments (e.g., HOMES, HEEHRA).



Energy Efficiency (EE) Home Improvement Tax Credit – U.S. Code § 25C

Primary Focus Today



Key Takeaways



- Significant savings available via residential income tax credits.
- There are differences between Ameren Illinois Energy Efficiency Program participation and tax credit qualification – ENERGY STAR[®] vs. Higher “CEE Tiers.”
- Ameren Illinois and the tax credits work together – both are important!
- Additional rebates are forthcoming (e.g., HOMES, HEEHRA).

A few quick questions. Respond in the questions.

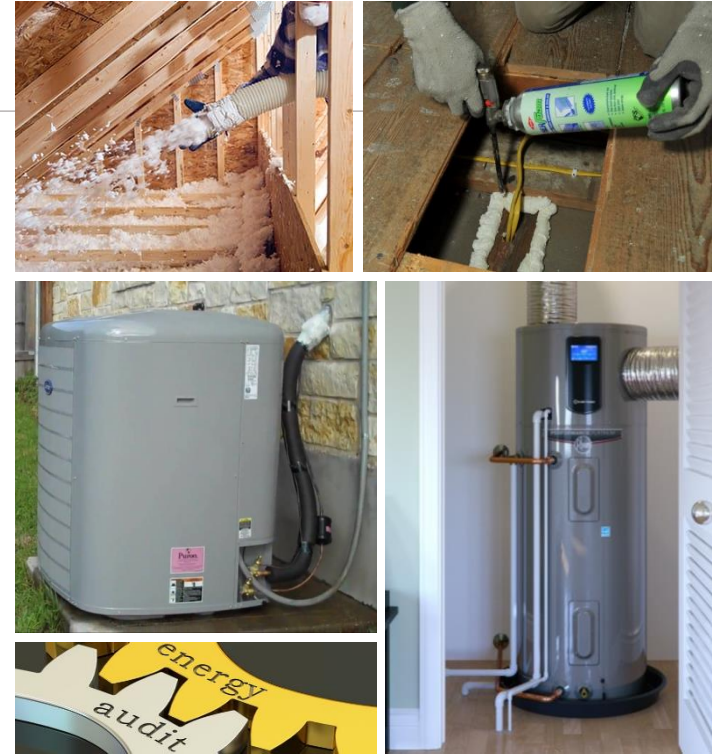


EE Home Improvement Tax Credit

Tax credit of up to **30% of the actual costs** for:

- 1) Qualified residential EE improvements,
- 2) EE property (equipment), and
- 3) Home energy audits

Big improvement over prior version of credits which had low lifetime limit.



Subject to the following *annual* limits up to:

- \$1,200 for each taxpayer (home);
- \$3,200 for each taxpayer (home) if combined with: HPWH, heat pump, or biomass stoves/boilers
- \$600 for any single EE property (equipment)

Windows/ doors	Heat pump water heaters	Heat pumps	Biomass stoves/boilers	Home energy audits
Tax credit: \$600/\$500 max*	Tax credit: \$2000 max*,+	Tax credit: \$2000 max*,+	Tax credit: \$2000 max*,+	Tax credit: \$150 max*

* Max aggregate available per equipment (e.g., \$250 per door, \$500 total max aggregate available for doors)

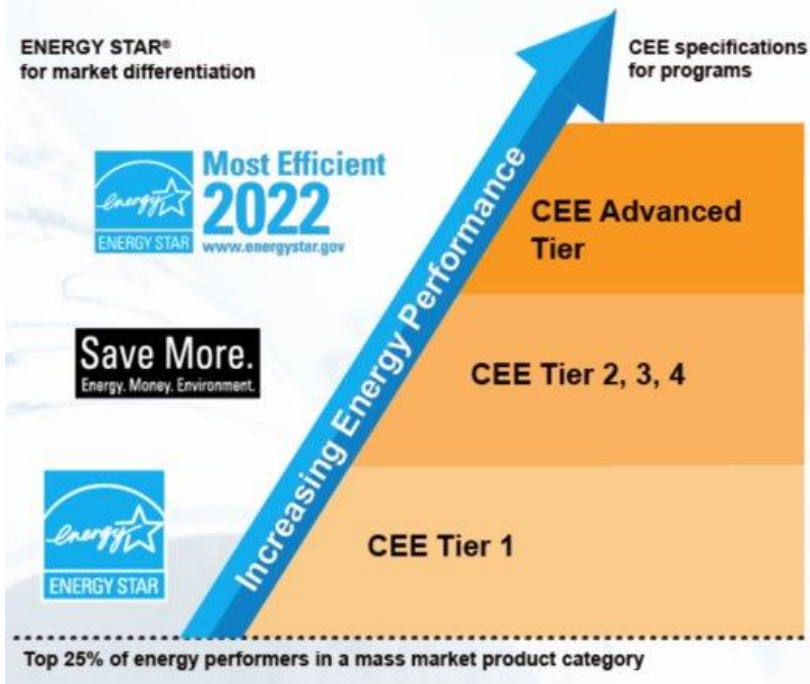
+ Can be combined with other EE property or improvements for a maximum of \$3,200 per year.

See IRS form 5695 instructions for more detail: <https://www.irs.gov/instructions/i5695>

See IRS Fact Sheet 2022-40 for more detail: <https://www.irs.gov/pub/taxpros/fs-2022-40.pdf>



ENERGY STAR and Consortium for Energy Efficiency



ENERGY STAR ...

- is a consumer brand.
- products are labeled with the ENERGY STAR logo.
- identifies highest efficiency equipment in the market.
- has designed product specifications for manufacturers to meet which are updated as the market progresses.

Consortium for Energy Efficiency (CEE) Tiers ...

- identify products with higher efficiency than ENERGY STAR.
- are also specification driven.
- are not identified in the market.
- are building a connection with AHRI.



What Projects/Equipment Are Qualified For The Tax Credits?

Equipment	Ameren Illinois Program Qualification	Tax Credit Qualification
Windows/skylights	ENERGY STAR	ENERGY STAR Most Efficient
Central ACS (split)	SEER2 ≥ 15.2 EER2 ≥ 11.88	SEER2 ≥ 16 EER2 ≥ 12
Air source heat pumps (split - ducted)*	SEER2 ≥ 15.2 HSPF2 ≥ 8.1	SEER2 ≥ 15.2 HSPF2 ≥ 8.1
Air source heat pumps (split – non-ducted)*	SEER2 ≥ 16 HSPF2 ≥ 8.55	SEER2 ≥ 16 HSPF2 ≥ 9.5
Heat pump water heaters	120V: UEF ≥ 2.2 240V: UEF ≥ 3.3	120V: UEF ≥ 2.2 240V: UEF ≥ 3.3
Gas furnaces		
Forced air	AFUE 95%	AFUE ≥ 97%
Hydronic	90%	≥ 95%

- It's a little complicated—but Ameren Illinois is updating its Available Residential Measure Guide to ensure easy answers to this question.
- IRS will use CEE Tiers to determine qualifications; related to ENERGY STAR products.
- Not all products that qualify for Ameren Illinois incentives are also qualified for IRA tax credit.
- Improvements (building envelope): air sealing, insulation, windows, and doors.
- Property (equipment): heat pumps, heat pump water heaters, central air conditioners, water heaters, furnace or water boilers (includes gas, propane and electric).

* Based on ENERGY STAR cold climate designation and North CEE Region.



Specifically, how much do tax credits save?

Example 1: Air Source Heat Pump Installation

Midstream HVAC Initiative

- AIC EE Program discounted installed cost / upfront cost to customer: \$8,545
- 2023 tax credit: (30%: \$2,564): **\$2,000**
- **Net cost to customer: \$6,545**

Example 2: Air Sealing and Insulation Project

Market Rate Initiative

- No cost audit: \$0
- Air sealing and insulation: \$6,350
- AIC EE Program incentive: **\$2,350**
- Total cost to customer: \$4,000
- 2023 tax credit (30%): **\$1,200**
- **Net cost to customer: \$2,800**

Combined Tax Credit to Customer:

Air Source Heat Pump:	\$2,000
Air Sealing and Insulation:	\$1,200
Total:	\$3,200

(Plus! Longer-term financial savings for installing more efficient equipment!)



Specifically, how much do tax credits save?

Example 3: Central Air Conditioner Installation

Minimum AIC EE Program/ENERGY STAR Scenario

- AIC EE Program discounted installed cost / net cost to customer: **\$4,250**
- **No tax credit (30%: \$1,275 → \$600)**

Highest CEE Tier Scenario

- AIC EE Program discounted installed cost / upfront cost to customer: **\$4,990**
- 2023 tax credit: (30%: \$1,497): **\$600**
- **Net cost to customer: \$4,390**

Example 4: Heat Pump Water Heater Installation

Ameren Illinois Midstream Initiative Scenario

- AIC EE Program discounted installed cost / total cost to customer: **\$3,850**
- 2023 tax credit (30%): **\$1,155**
- **Net cost to customer: \$2,695**

Combined Tax Credit to Customer:

Highest CEE Tier Scenario:	\$600
Heat Pump Water Heater:	\$1,155
Total:	\$1,755

(Plus! Longer-term financial savings for installing more efficient equipment!)



How can a customer apply for tax credits?

- New tax credit amount and annual limits apply for purchases beginning in 2023.
- Ensure you purchase a qualified improvement and/or piece of equipment by:
 - Checking the Available Residential Measure Guide.
 - The ENERGY STAR website:
https://www.energystar.gov/about/federal_tax_credits/non_business_energy_property_tax_credits.
- Save your receipts so you can reference exact project costs and details.
- Submit IRS Form 5695 along with your tax returns:
<https://www.irs.gov/forms-pubs/about-form-5695>.
- Reach out to your tax professional for additional support.



Potential Challenges

- Customer confusion of what equipment/improvements qualify.
- Upfront customer cost - tax credit is not a rebate.
- Customer delaying projects until Q4 to minimize the time to receipt of the tax credit.
- Customer spreading expenditures and recovery of tax credits over multiple years.
- Potential scams.
- Others?



How can Ameren Illinois help?

- What additional information do you need?
- What challenges are you anticipating?
- What else can we do to help you succeed?



How Are You Planning To Help?

- Helping customers apply for the tax credits?
- Changes to invoicing/documentation?
- Offers to bridge the time gap between install and tax credit?



Key Takeaways

- Significant savings available via tax credits.
- There are differences between Ameren Illinois program participation and tax credit qualification – ENERGY STAR vs. Higher CEE Tiers.
- Ameren Illinois and the tax credits work together – both are important!
- Additional rebates are forthcoming (e.g., HOMES, HEEHRA).

Questions or Comments?

Reach out to:

Your Field Energy Specialist

OR

IllinoisResidentialEE@ameren.com





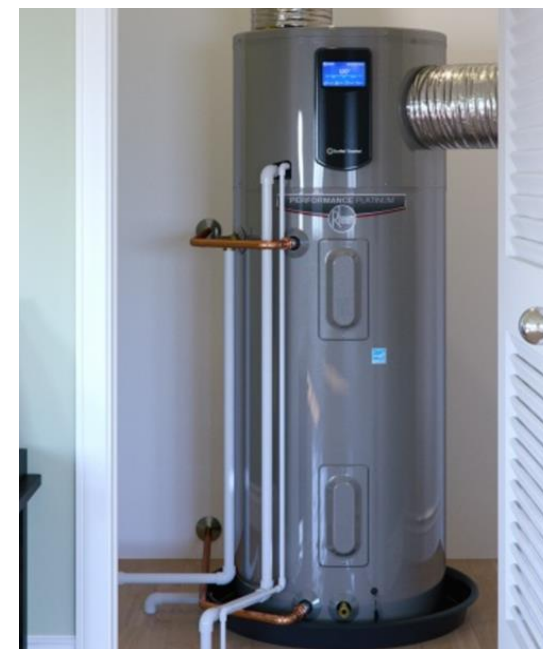
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APPENDIX OF DETAILED SLIDES



What is the EE Home Improvement Tax Credit?

- Tax credit of up to **30% of the actual costs** for residential EE:
 - 1) Improvements (i.e., building envelope)
 - 2) Property/equipment (i.e., mechanicals)
- Does not reduce upfront cost to customer, because it is a tax credit, not an instant rebate.
- Subject to the following **annual limits** up to:
 - \$1,200 - \$3,200 depending on projects completed and equipment installed.
 - Big improvement over prior version of credits, which had very low lifetime limits—lasting and long-term adoption of EE.

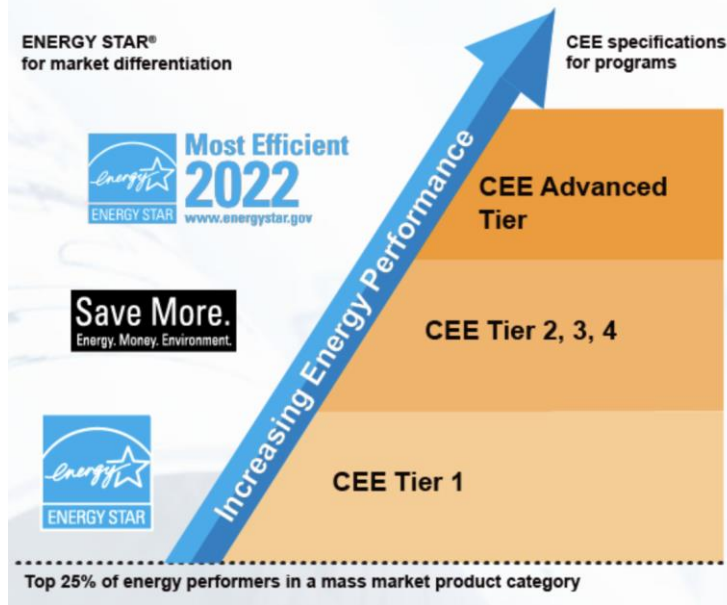


EE Home Improvement Tax Credit: Qualification

- EE Improvements
 - Windows, doors, air sealing and insulation.
 - Reasonably expected to remain in use for 5 years.
- EE Property (equipment)
 - Highest CEE Tier (excluding any advanced tier).
 - Electric or natural gas heat pump water heater.
 - Electric or natural gas heat pump.
 - Central air conditioner.
 - Natural gas, propane, or oil water heater.
 - Natural gas, propane, or oil furnace or hot water boiler.
 - Biomass (75% efficiency) and Oil (ES and 20% blended fuels) equipment.
 - Electrical panel service upgrades.
 - Above 200 amps and in conjunction with EE improvements.
- Energy Audits
 - Written report with most significant and cost-effective opportunities.
 - Certified energy auditor – details TBD by DOE – August 2023.



EE Home Improvement Tax Credit: CEE Tiers



Highest CEE tier 2-4 products qualify.

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Windows/skylights	ENERGY STAR	ENERGY STAR Most Efficient
Central ACS (split)	SEER2 ≥ 15.2 EER2 ≥ 11.88	SEER2 ≥ 16 EER2 ≥ 12
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Gas Furnace: Forced air	AFUE 95%	AFUE ≥ 97%
Gas Furnace: Hydronic	90%	≥ 95%

See IRS website for more detail:

<https://www.irs.gov/credits-deductions/frequently-asked-questions-about-energy-efficient-home-improvements-and-residential-clean-energy-property-credits-energy-efficient-home-improvement-credit-qualifying-expenditures-and-credit-amount>



How Can The Customer Estimate The Benefits Available?

REWIRING AMERICA

Household Electrification Incentives
All the savings you may be eligible for!

Tax Credits ⓘ

ITEM	AMOUNT	TIMELINE	
Battery Storage Installation	30%	Available Now!	More Info >
Geothermal Heating Installation	30%	Available Now!	More Info >
Electric Panel	\$600	Available Now!	More Info >
Heat Pump Air Conditioner/Heater	\$2,000	Available Now!	More Info >
Heat Pump Water Heater	\$2,000	Available Now!	More Info >
Rooftop Solar Installation	30%	Available Now!	More Info >
Weatherization	\$1,200	Available Now!	More Info >
Electric Vehicle Charger	\$1,000	Available Now!	More Info >
New Electric Vehicle	\$7,500	Available Now!	More Info >
Used Electric Vehicle	\$4,000	Available Now!	More Info >

- Benefits available are based on location and household income.
- Limits on tax credits for various improvements/equipment.
- Additional rebates forthcoming via other programs (e.g., HOMES, HEEHRA).

<https://www.rewiringamerica.org/app/ira-calculator>



Additional Opportunities

- **Commercial Buildings Deduction - 179D**
 - IRA reduces the amount by which a building must improve its efficiency (to 25 percent).
 - \$0.50/ft² for 25% reduction.
 - \$1.00/ft² for 50% reduction.
 - IRA shifts from a lifetime cap (\$1.80 /ft²) to reset every 3-years.
- **High Efficiency Electric Homes Rebate (HEEHR) and HOMES Programs**
 - Design is underway by Illinois EPA, stay tuned.
 - Both low to moderate income.
 - Both operated by state agencies.
 - HEEHR – supports electrification -- ≈ \$131M over 10 years.
 - HOMES – supports efficiency -- ≈ \$132M over 10 years.



Anticipated FAQs

Will 25C reduce up-front costs for consumers?

No, but they will reduce net (total) costs.

Who qualifies for 25C?

Anyone with adequate tax liability to offset can qualify.

Can renters utilize 25C?

Yes! Renters may be specifically interested in the 25C credit for portable, window-unit heat pumps.

Does 25C cover electrical panel upgrades?

Yes, if they are installed in conjunction with and enable the installation of another covered upgrade, like a heat pump or rooftop solar. Currently seeking clarity about amperage levels.

Does 25C have efficiency requirements?

Yes, the *minimum* requirement for heat pumps and HPWHs in 25C is that equipment meet the highest CEE tier that is not "advanced". Advanced CEE tier equipment also qualifies.

ENERGY STAR-certified doors and ENERGY STAR most efficient-certified windows are also eligible.

What does it mean that 25C resets every year?

By resetting every year, 25C will be available to households for multiple upgrades over multiple years. For example, if a household maxes out 25C in one year by claiming a \$2,000 credit for a heat pump and a \$1,200 credit for insulation, that household can utilize 25C again in a future year for a HPWH and an electrical panel upgrade.

