

To our Clients and Friends:

Making home improvements that save energy makes a lot of sense. Two Federal income tax credits can help offset your costs. They are available for all qualified improvements you make to a home you own and use as your main home. The credits are also available for some improvements made to second homes or to homes you rent and use as a residence, but they are never available when the improvements are made to homes that you don't use as a residence.

Energy-Efficient Home Improvements

You can take a tax credit equal to 30% of qualified expenses. The maximum credit **EACH** year for qualified energy efficiency improvements, residential energy property expenses and home energy audits is \$1,200. In addition, a \$2,000 maximum credit **PER** year can be claimed for qualified heat pumps and biomass stoves or boilers. Improvements must be new systems and materials (not used). Unlike previous law, there is no longer a max lifetime limit. The new limit applies yearly for eligible improvements made each year.

Qualified Energy Efficiency Improvements. To qualify, these improvements must have an expected lifespan of at least five years. Qualified improvements include new:

- Exterior doors (limited to \$250 per door and \$500 total).
- Exterior windows and skylights (limited to \$600 total).
- Insulation and air sealing materials or systems designed to reduce heat loss or gain.

Residential Energy Property. This property qualifies for a credit up to \$600 per item. Costs may include labor for installation. Qualified property includes new central air conditioners; natural gas, propane, or oil water heaters; natural gas, propane, or oil furnaces; and hot water boilers. Oil furnaces or hot water boilers can also qualify through other efficiency criteria.

Home Energy Audits. A home energy audit for the taxpayer's principal residence qualifies for a credit up to \$150.

Heat Pumps and Biomass Stoves and Boilers. New electric or natural gas heat pumps, electric or natural gas heat pump water heaters and biomass stoves and boilers with a thermal efficiency rating of at least 75% qualify for a credit of up to \$2,000 per year. The cost of labor for installation is included.

Residential Clean Energy Property

The Residential Clean Energy Credit equals 30% of the costs of new clean energy property installed anytime from 2022 through 2034. The credit is nonrefundable, but any unused credit can be carried forward. Solar electric panels, solar water heaters that are certified by the Solar Rating Certification Corporation or a comparable entity endorsed by the state, wind turbines, geothermal heat pumps that meet Energy Star requirements in effect at the time of purchase, fuel cells, and battery storage technology with a capacity of at least 3 kilowatt hours qualify for a credit.

Conclusion

If you've made home improvements this year or plan to, don't leave money on the table. We are here to help if you have any questions about whether your home improvements can qualify for a tax credit. Please contact Matt or Brandon directly via email mhitt@mhittandco.com or bromagnano@hittandco.com or call the office at 410-661-5537

Thanks, Matt