The Inflation Reduction Act of 2022
The Agenda
1. About the IRA
2. The broader policy context
3. Key IRA provisions for multifamily and commercial buildings
About the IRA

- The single largest climate investment in our nation’s history at $369 billion
- Will drive national emissions 40% below 2005 levels by 2030
- Emphasis on “carrots” rather than “sticks” for the buildings sector
# IRA Funding Levels

<table>
<thead>
<tr>
<th>Program</th>
<th>Estimated Funding Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>179D Tax Deduction</td>
<td>$360 million</td>
</tr>
<tr>
<td>45L Tax Credit</td>
<td>$2 billion</td>
</tr>
<tr>
<td>HOMES Rebates</td>
<td>$4.3 billion</td>
</tr>
<tr>
<td>HEEHRA Rebates</td>
<td>$4.5 billion</td>
</tr>
<tr>
<td>HUD Grants</td>
<td>$1 billion</td>
</tr>
<tr>
<td>GHG Reduction Fund</td>
<td>$27 billion</td>
</tr>
</tbody>
</table>
The IRA was shaped by several important policy parameters:

- The constraints of budget reconciliation
- The political calculus of the moderate wing

And also...

- The existing policy landscape for buildings
The Changing Policy Landscape for Buildings

A lack of federal leadership on driving emissions reductions from buildings = State and local governments implementing their own energy regulations for buildings
State and Local Policy Breakdown

- 45 cities, counties, and states have benchmarking ordinances
- Approximately 15 jurisdictions have audit, disclosure, or retro-commissioning laws
- 10 jurisdictions have building performance standards now, and more than 30 could have them by 2024 via the National BPS Coalition
- Several dozen cities have natural gas bans
The Changing Policy Landscape for Buildings

The IRA brings the “carrots” + Local compliance requirements bring the “sticks”

Which results in good policy!
Key IRA Provisions for Multifamily and Commercial
ITC Extended and Expanded

- Increased rate from 26% to 30%, backdated to Jan 2022
- Addition of stand-alone energy storage projects
- Several new adders including 10–20% bonus for qualifying low-income solar
- Direct pay & transferability of tax credits
- Prevailing wage & apprenticeship requirements for projects above 1 MW
EV Charging Tax Credit (30C)

- Officially dubbed the “Alternative Fuel Vehicle Refueling Property Credit”
- Expired in 2021, will get an upgrade starting in 2023
- Credit is limited to projects located in a qualifying low-income community or in a non-urban census tract
- Base credit rate of 6%
- Increased to 30% credit for projects that meet prevailing wage and apprenticeship requirements during construction
Energy Efficient Home Tax Credit (45L)

- Multifamily affordable & market-rate new construction (no commercial properties)
- Tax credit rates
  - $500/dwelling unit for properties meeting Energy Star Multifamily New Construction Regional & National requirements
  - $1,000/dwelling unit for properties meeting Zero Energy Ready Home Program requirements
  - Meets prevailing wage requirements – increases to $2,500 & $5,000 per dwelling unit respectively
- Taxpayers claiming LIHTC would not have to reduce their basis for credits claimed under this section
## Energy Efficient Commercial Building Deduction (179D)

<table>
<thead>
<tr>
<th>Site EUI Reduction</th>
<th>25%</th>
<th>26-49%</th>
<th>50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Prevailing Wage and Apprenticeships</td>
<td>$0.50/Sq ft</td>
<td>An extra $0.02/Sq ft</td>
<td>$1/Sq ft</td>
</tr>
<tr>
<td>With Prevailing Wage and Apprenticeships</td>
<td>$2.50/Sq ft</td>
<td>An extra $0.10/Sq ft</td>
<td>$5/Sq ft</td>
</tr>
</tbody>
</table>
## Home Owner Managing Energy Savings (HOMES) Rebates

<table>
<thead>
<tr>
<th>Tier</th>
<th>Market Rate (lesser of)</th>
<th>Affordable Housing (lesser of)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modeled energy savings 20–34%</td>
<td>$2,000/dwelling unit or $200k/building</td>
<td>$4,000/dwelling unit or 80% of the project cost</td>
</tr>
<tr>
<td>Modeled energy savings 35%+</td>
<td>$4,000/dwelling unit or $400k/building</td>
<td>$8,000/dwelling unit or 80% of the project cost</td>
</tr>
<tr>
<td>Measured building or portfolio energy savings</td>
<td>A payment rate per kWh saved up to $2,000 for a 20%+ reduction in energy use per dwelling unit for the avg multifamily building in the state or 50% of the project cost</td>
<td>A payment rate per kWh saved up to $4,000 for a 15%+ reduction in energy use per dwelling unit for the avg multifamily building in the state or 80% of the project cost</td>
</tr>
</tbody>
</table>
## High-Efficiency Electric Home Rebates (HEEHRA)

<table>
<thead>
<tr>
<th>Appliance</th>
<th>Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>HPWH</td>
<td>$1,750</td>
</tr>
<tr>
<td>Heat pump space heating</td>
<td>$8,000</td>
</tr>
<tr>
<td>Electric stoves, cooktops, ranges, ovens, electric HP clothes dryers</td>
<td>$840</td>
</tr>
<tr>
<td>Electric load service center upgrade</td>
<td>$4,000</td>
</tr>
<tr>
<td>Insulation, air sealing, and ventilation</td>
<td>$1,600</td>
</tr>
</tbody>
</table>
HUD Grants

- $1 billion
- Grants and direct loans to HUD subsidized properties
- Eligible uses include but are not limited to:
  - Zero-emission electricity generation
  - Electrification
  - Energy Storage
  - Energy and water efficiency
  - IAQ
  - Resilience
  - Benchmarking
GHG Reduction Fund

- $27 billion for EPA to run this program
- Designed to provide financing and direct funding for low and zero emissions technologies
- EPA set to release the rules in February and pick award winners no later than two years after
Thank you!

Amanda Clevinger
Policy and Programs Manager
aclevinger@brightpower.com