



Overview: IRA Tax Incentives for Buildings

The Inflation Reduction Act greatly expanded tax incentives for energy efficiency, on-site renewable generation, electrification of buildings and more.

OVERVIEW

The Inflation Reduction Act (IRA) provides historical investments to increase the energy efficiency and sustainability of new and existing buildings through the expansion of tax incentives.

The IRA greatly expanded the types of organizations that can monetize tax incentives for green buildings. [Direct pay](#) (formerly called elective pay) now enables tax-exempt entities, including schools, municipalities, universities and others, to receive [12 IRA tax credits](#) as direct payments. The IRS issued [temporary regulations](#) that create a framework for eligible entities interested in direct payments to register (available later in 2023).

Here is a summary of the tax provisions most relevant to existing buildings and new construction. More details can be found on [USGBC's IRA Overview for Buildings](#):

Sec. 179D Tax Deduction for Energy Efficient Commercial Buildings: Tax deduction of between \$2.50 and \$5 per square foot for commercial buildings (new or retrofits) including multifamily residential buildings that meet certain energy efficiency performance requirements.

Sec. 48 Clean Electricity Investment Tax Credit: Tax credit of up to 30% of cost of solar, geothermal, combined heat and power, storage and other clean technologies.

Sec. 30C Alternative Fuel Vehicle Refueling Property Credit: Tax credit of 30% of the cost of "qualified alternative fuel vehicle refueling property," which includes new electric vehicle chargers.

Sec. 45L New Energy Efficient Homes Credit: Tax credit of up to \$5,000 per home or unit for new energy efficient residential construction.

Sec. 25C Energy Efficiency Home Improvement Credit: Tax credit of up to 30% or a \$3,200 annual maximum for eligible energy efficiency improvements.

PROVISIONS TO KNOW

For projects to receive the full value of many of the tax incentives under the IRA, projects must comply with wage and apprenticeship [requirements](#). Additionally, some have domestic content requirements for materials and bonus adders if a project is located in an “[energy community](#)”.

MAXIMIZING THE POTENTIAL OF TAX INCENTIVES FOR YOUR COMMUNITY

Governments should ensure their own real estate portfolio benefits, thereby taxpayers benefit, by assessing building needs and deferred maintenance in light of expanded tax credit eligibility. Governments should also incorporate their intended tax incentives use into their Climate Action Plans (CAP). Additional community benefits would be realized through helping raise awareness of tax credit availability to their communities by providing educational events and technical assistance to building owners. Local officials can increase the equity benefits by identifying and supporting any energy communities.

Private developers and building owners can use these incentives to reduce the upfront cost of many building improvements, while

lowering the operational costs, improving resilience, promoting the value of their high-performing building to prospective tenants, and offering their project as a success story to in their community.

USGBC’s [LEED certification](#) offers governments and private developers with a sustainable framework to ensure buildings are resilient and prepared for the impacts of climate change while maximizing occupant health and energy efficiency.

IRA + BUILDINGS GUIDEBOOK COMING SOON

Stay tuned for [USGBC’s guidebook on maximizing building decarbonization with the IRA](#), available in October 2023. USGBC is available to provide technical assistance to states and local governments as they consider an array of policy options to reduce building emissions, including on topics like building performance standards, green and stretch codes, and holistic green building policies.

For more information on leveraging the IRA programs to decarbonize the built environment, email publicpolicies@usgbc.org



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