

Value Added: How LEED, Zero Energy Ready Homes, and ENERGY STAR can earn multifamily projects Inflation Reduction Act incentives



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Learning Objectives

- Discuss the relationship between LEED v4.1 Residential, ENERGY STAR Multifamily New Construction, and Zero Energy Ready Homes (ZERH) programs
- Define the key requirements and steps for a multifamily project to obtain ENERGY STAR Multifamily New Construction certification and ZERH and the applicable versions for the incentive
- Explain the Federal 45L tax credit and other incentives applicable to MF residential projects
- Understand the LEED opportunity and how to plan ahead



Introduction

THE BIG IDEA

Bigger
incentives for more
efficient multifamily
projects – including
highrise



45L Incentive Basics

<i>Multifamily Project Characteristic</i>	<i>Tax credit per unit</i>	
	<i>ENERGY STAR MFNC</i>	<i>ZERH</i>
BASE	\$500	\$1000
MEETING PREVAILING WAGE REQTS	\$2500	\$5000



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IRS: Builders of qualified new energy efficient homes may qualify for an expanded tax credit under Section 45L

Topics in the News

News Releases

[News Releases for Frequently Asked Questions](#)

Multimedia Center

Tax Relief in Disaster Situations

Inflation Reduction Act

IR-2023-180, Sept. 27, 2023

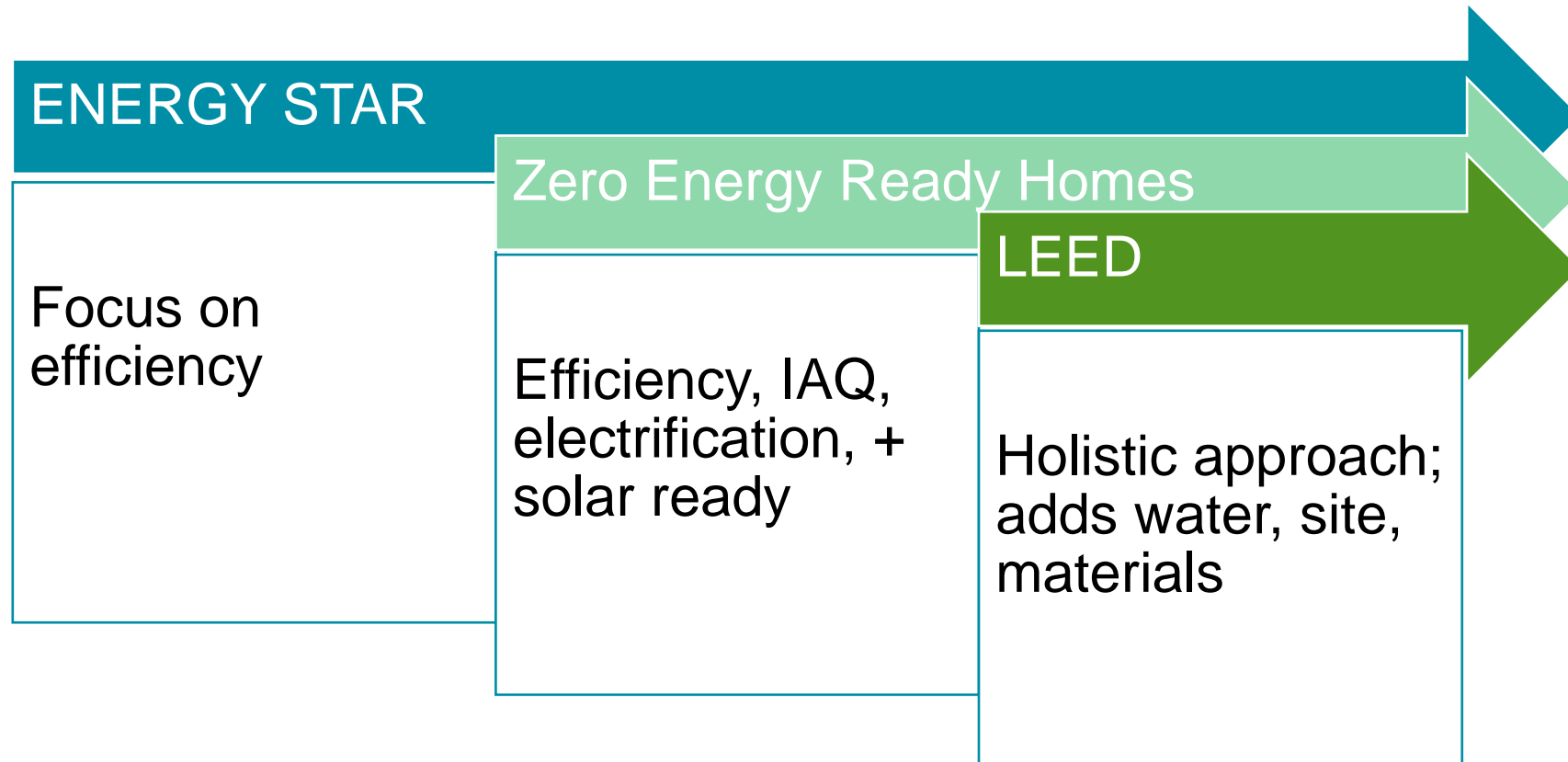
WASHINGTON — The Internal Revenue Service issued [Notice 2023-65](#) [PDF](#) today which provides guidance on the new energy efficient home credit as amended by the Inflation Reduction Act (IRA).

The provision, as amended by the IRA, allows eligible contractors who construct or substantially reconstruct and rehabilitate qualified new energy efficient homes a tax credit of up to \$5,000 per home. The actual amount of the credit depends on eligibility requirements such as the type of home, the home's energy efficiency, and with respect to multifamily dwelling units, whether prevailing wage requirements are met.

Individuals or entities looking to claim the credit should consult with a tax professional to determine whether and how they can claim the credit and determine whether the credit can be used with other tax incentives or Federal incentives.

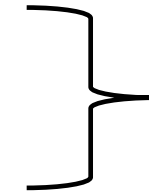
Eligibility for eligible contractors

Additive programs aim to streamline

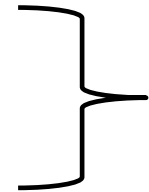


ENERGY STAR MULTIFAMILY NEW CONSTRUCTION

ENERGY STAR Residential New Construction Eligibility



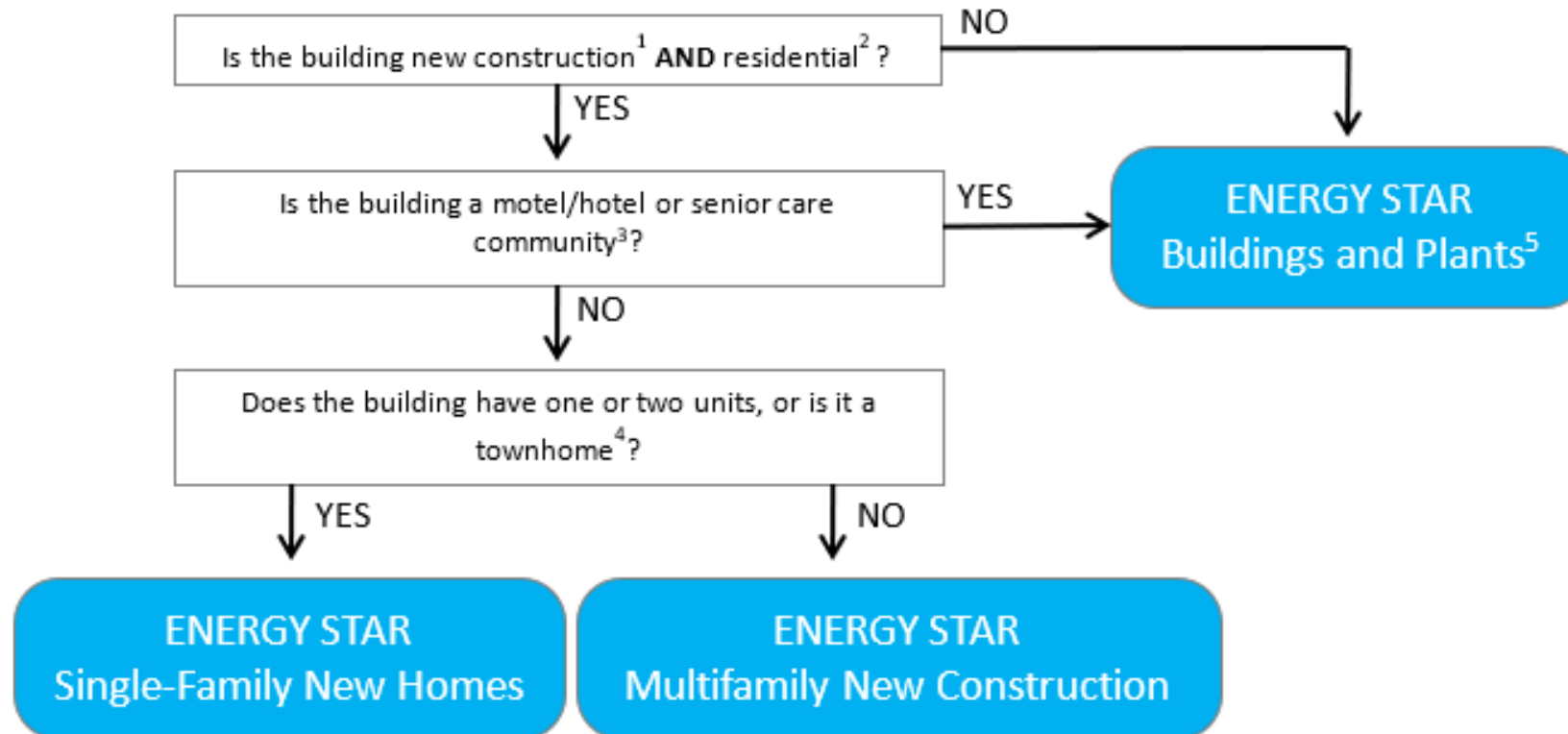
Single-Family
New Homes (SFNH)



MFNC

ENERGY STAR Residential New Construction Eligibility

EPA ENERGY STAR Multifamily New Construction Program Decision Tree





What does ENERGY STAR require?

What does ENERGY STAR require?

Multifamily New Construction

Efficiency & Testing	<ul style="list-style-type: none">• Above-code performance of dwelling units and common spaces• Third-party inspection and functional tests
Comfort	<ul style="list-style-type: none">• Complete thermal enclosure system• Individually-sealed dwelling units• Properly sized & installed HVAC system
Air Quality	<ul style="list-style-type: none">• Dwelling-unit fresh air system• Kitchen and bath fans that work well and exhaust outside• Combustion safety
Durability	<ul style="list-style-type: none">• Complete water management system

Above code performance

Model energy savings of the building's design compared to ASHRAE 90.1 (or Title 24 in California).

ASHRAE

Model dwelling units using ERI software (or savings above Title 24 in California) and follow a prescriptive package of energy efficient measures developed by EPA in common spaces.

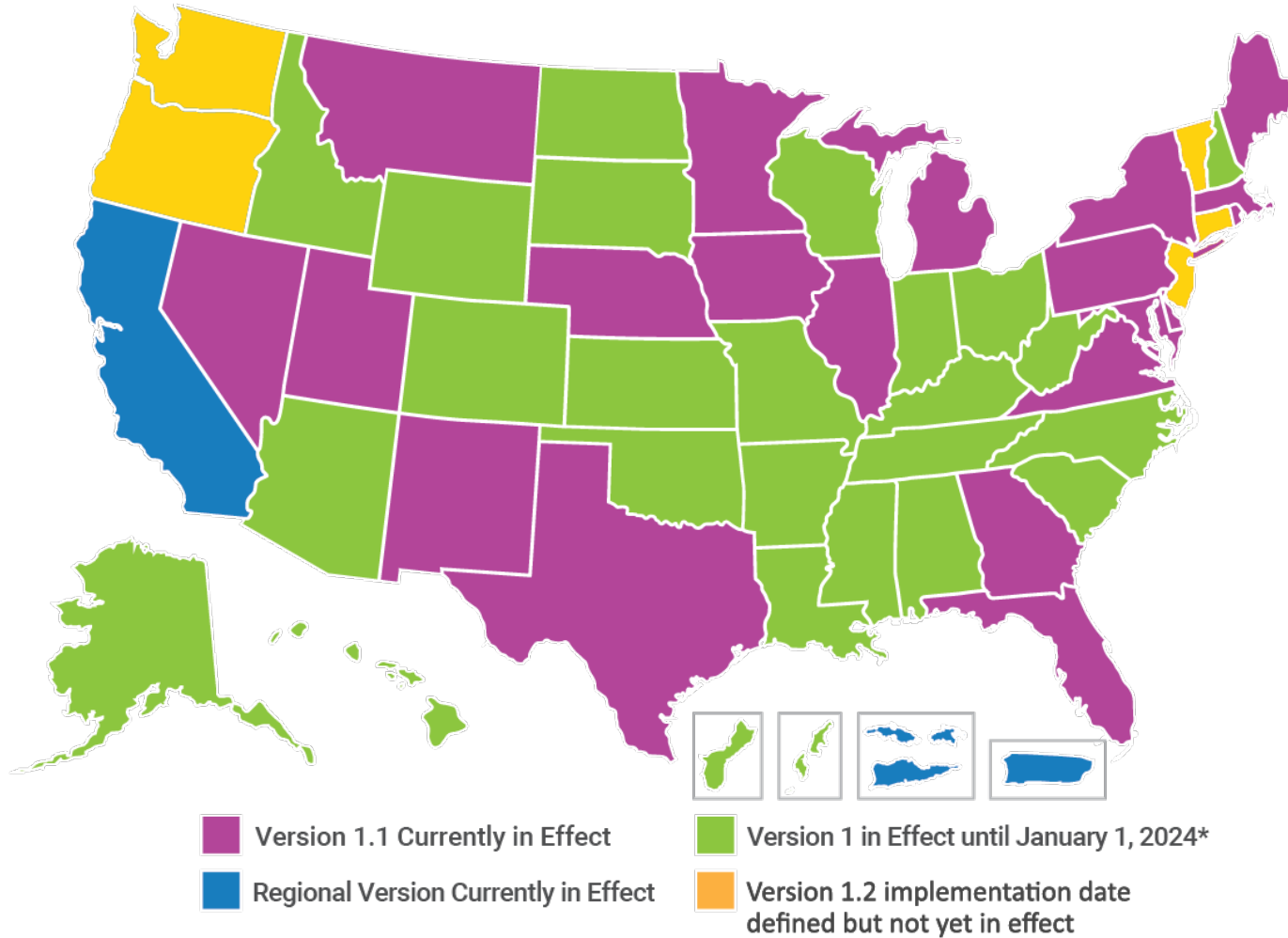
ERI

Use a prescriptive package of energy efficient measures developed by EPA.

(Not available in California.)

Prescriptive

Program Versions at a Glance



Verification

- Rater Requirements
 - Be credentialed by a Home Certification Organization or meet the credential requirements of a Multifamily Review Organization
 - Complete ENERGY STAR training
 - Be an ENERGY STAR Partner
- Rater Responsibilities
 - Verify that all requirements have been met, starting at Schematic/Design
 - Complete Rater Design Review and Field Checklists
 - Collect Additional Documentation and Checklists



ENERGY STAR NextGen Certified Homes and Apartments

1. Highly energy-efficient construction
2. Multi-stage ENERGY STAR certified connected heat pump
3. ENERGY STAR certified connected heat pump water heater
4. Electric cooking (induction recommended)
5. Electric vehicle charging capability





45L Tax Credit

Context

- Congressional/Statutory Language
 - We're stuck with it... Even if it doesn't make sense; even if we don't like it; even if it conflicts with existing EPA policies or definitions
- IRS' role and limitations
 - Can only clarify Statutory language and interpret Congressional intent
 - Cannot change requirements/conditions written into the Statute
- EPA's role and limitations
 - Provide technical and programmatic support to IRS in developing guidance
 - Modify ENERGY STAR program policies and documentation (where needed) to facilitate the implementation of Statutory language
 - Cannot change requirements/conditions written into the Statute

Key Points from IRS Notice 2023-65

- “Meets ENERGY STAR program requirements” means that a home must be certified.
- Where EPA has defined a newer version of the ENERGY STAR program requirements applicable to the location, the new version is deemed to meet minimum requirements.
 - For example, a home certified to National MFNC v1.2 also meets the National MFNC v1.1.
- A dwelling unit built in a location where EPA has defined regional program requirements must meet both national and applicable regional ENERGY STAR program requirements to qualify for the § 45L credit.
 - EPA has addressed this requirement, which conflicted with prior EPA policies, via a new 'deemed certification' policy.
- Homes in U.S. territories (i.e., Puerto Rico, U.S. Virgin Islands, Guam, and the Northern Mariana Islands) are not eligible for the § 45L credit.
 - Note, however, that under EPA policy, these homes can still earn ENERGY STAR certification.

Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

- The following tables reflect the minimum ENERGY STAR program versions eligible for the § 45L credit for acquisitions beginning in 2023.
 - Eligible versions are governed by EPA's defined effective dates for program requirements and the timelines established in § 45L.
- Program version eligibility is tied to the effective version on the acquisition date.
 - In cases where the version eligibility changes between years, the version that is effective on the acquisition date is required for the tax credit.
 - Note that these rules differ for DOE's ZERH program.
- Tables of eligible program versions are currently available for 2023, 2024, and 2025 for all sectors, and for 2026 for multifamily homes only.
 - Program version eligibility for multifamily homes in 2027 will be available in January 2024, and for future years annually in January thereafter.
- Note that in some cases, a home may be certified as ENERGY STAR using a program version that is not eligible for the § 45L credit.

Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

2023 Acquisition Dates
Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

State/Territory	Single-Family	Manufactured	Multifamily
AL, AK, AR, AZ, CO, CT, DC, DE, GA, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, PA, RI, SC, SD, TN, TX, UT, VA, VT, WI, WV, WY	SFNH National v3.1	MH v2	MFNC National v1.1
CA	SFNH California v3.3	MH v2	MFNC California v1.3
FL	SFNH Florida v.3.1; or SFNH National v3.1	MH v2	MFNC National v1.1
HI	SFNH Pacific v3	MH v2	MFNC National v1.1
OR, WA	SFNH Oregon and Washington v3.2; or SFNH National v3.2	MH v2	MFNC Oregon and Washington v1.2; or MFNC National v1.2

Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

2024 Acquisition Dates

Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

State/Territory	Single-Family	Manufactured	Multifamily
AL, AK, AR, AZ, CO, CT, DC, DE, GA, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, PA, RI, SC, SD, TN, TX, UT, VA, VT, WI, WV, WY	SFNH National v3.1	MH v2	MFNC National v1.1
CA	SFNH California v3.3	MH v2	MFNC California v1.3
FL	SFNH Florida v.3.1; or SFNH National v3.1	MH v2	MFNC National v1.1
HI	SFNH Pacific v3	MH v2	MFNC National v1.1
OR, WA	SFNH Oregon and Washington v3.2; or SFNH National v3.2	MH v2	MFNC Oregon and Washington v1.2; or MFNC National v1.2

Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

2025 Acquisition Dates
Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

State/Territory	Single-Family	Manufactured	Multifamily
AL, AK, AR, AZ, CO, CT, DC, DE, FL, GA, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, PA, RI, SC, SD, TN, TX, UT, VA, VT, WI, WV, WY	SFNH National v3.2	MH v2	MFNC National v1.1
CA	SFNH California v3.3	MH v2	MFNC California v1.3
HI	SFNH Pacific v3	MH v2	MFNC National v1.1
OR, WA	SFNH National 3.2	MH v2	MFNC Oregon and Washington v1.2; or MFNC National v1.2

Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

2026 Acquisition Dates*

Minimum ENERGY STAR Program Versions Eligible for the § 45L Credit

State/Territory	Single-Family	Manufactured	Multifamily
AL, AK, AR, AZ, CO, CT, DC, DE, FL, GA, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, PA, RI, SC, SD, TN, TX, UT, VA, VT, WI, WV, WY	To be determined	To be determined	MFNC National v1.1
CA	To be determined	To be determined	MFNC California v1.3
HI	To be determined	To be determined	MFNC National v1.1
OR, WA	To be determined	To be determined	MFNC Oregon and Washington v1.2; or MFNC National v1.2

Preparing for the future: Minimum MFNC ENERGY STAR Program Versions Eligible for the § 45L Credit in 2027

- To support § 45L, EPA has defined a version's effective date as the first January 1 after the original release.
 - However, to better align with § 45L, for the three versions released in 2022 but not implemented (e.g., SFNH National v3.2, MFNC National v1.2, and MH v3), the effective date is defined as January 1, 2024 (rather than January 1, 2023).
- Based on the effective date of January 1, 2024, and the timeline established in § 45L, EPA anticipates MFNC National v1.2 will be required for acquisitions in 2027 in most states
 - 2021 IECC insulation levels
- In California, MFNC CA v1.3 is required for the tax credit through at least 2026, but EPA anticipates MFNC CA v1.4 will be required in 2027

Multifamily Example (for all states except CA, OR and WA)

Acquisition Date	ENERGY STAR Version (45L)
2023 – 2026	MFNC National v1.1
2027	<i>Anticipated:</i> MFNC National v1.2

Permit Date	ZERH Version
≤ 2024	ZERH V1
2025	ZERH MF V2

ENERGY STAR Policies Related to the § 45L Credit

- Partners should be aware that, in support of the implementation of § 45L and IRS Notice 2023-65, EPA has also adopted new [policies](#) regarding:
 - Accepted documentation of ENERGY STAR certification for the § 45L tax credit,
 - Defined effective dates of program requirements, and
 - Deemed certifications for national and regional program requirements.

[Visit the ENERGY STAR Tax Credits webpage for more information](#)

Where to find more information

- www.energystar.gov/taxcredits
 - [https://www.energystar.gov/about/federal tax credits/federal tax credit archives/tax credits home builders](https://www.energystar.gov/about/federal_tax_credits/federal_tax_credit_archives/tax_credits_home_builders)
- www.irs.gov
 - <https://www.irs.gov/credits-deductions/credit-for-builders-of-energy-efficient-homes#builders>

Questions?

- If not covered in these slides or on our website, we probably can't answer.
- Per the IRS: *"Individuals or entities looking to claim the credit should consult with a tax professional to determine whether and how they can claim the credit and determine whether the credit can be used with other tax incentives or Federal incentives."*

ENERGY STAR Multifamily New Construction

Web & Email:

Main: energystar.gov/newhomespartners
Technical: www.energystar.gov/mfnc
Email: energystarhomes@energystar.gov

Social Media:



@energystarhomes



facebook.com/energystar

Contact:

Rebecca Hudson

EPA

Technical Manager

ENERGY STAR Multifamily New Construction

ZERO ENERGY READY HOMES FOR MULTIFAMILY

A vision for a net-zero U.S. building sector by 2050



Support rapid decarbonization of the U.S. building stock in line with economy-wide net-zero emissions by 2050 while centering equity and benefits to communities



Prioritize equity, affordability, and resilience

Ensure that 40% of the benefits of federal building decarbonization investments flow to disadvantaged communities



Reduce the cost of decarbonizing key building segments 50% by 2035 while also reducing consumer energy burdens



Increase the ability of communities to withstand stress from climate change, extreme weather, and grid disruptions



Increase building energy efficiency

Reduce onsite energy use intensity in buildings 30% by 2035 and 45% by 2050, compared to 2005



Accelerate onsite emissions reductions

Reduce onsite fossil-based CO₂ emissions in buildings 25% by 2035 and 75% by 2050, compared to 2005



Transform the grid edge at buildings

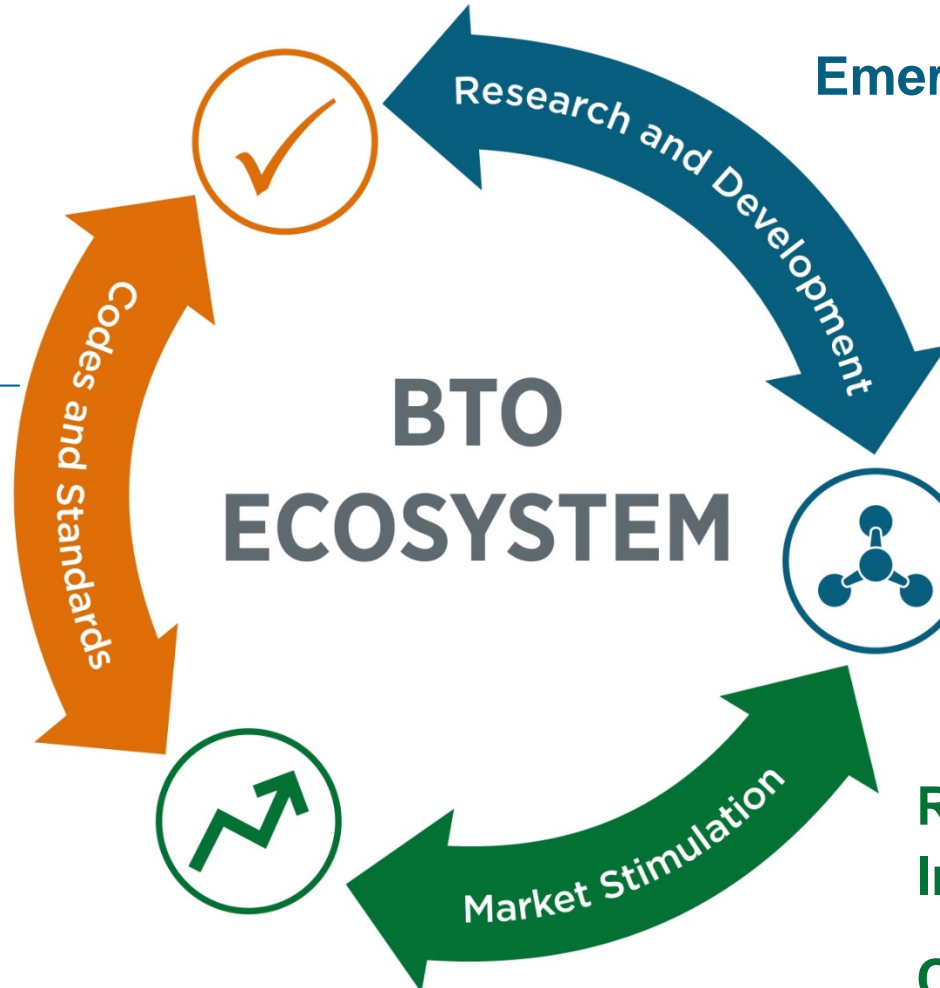
Increase building demand flexibility potential 3X by 2050, compared to 2020, to enable a net-zero grid, reduce grid edge infrastructure costs, and improve resilience.

The Buildings Office Ecosystem

Building Codes

Appliance Standards

- Support code development, adoption, and compliance
- Develop test procedures and standards
- Enforce standards



Emerging Technologies

- Develop next-gen tech that achieves stretch goals
- Address market barriers through innovative technologies
- Modeling tools that enable scaling of decarbonization solutions – code adoption, building design and market identification
- Analysis to identify gaps and needs

Residential Buildings Integration

Commercial Buildings Integration

- Demo tech & solutions
- Provide savings at scale
- Accelerate market adoption

DOE's Goal for Residential Buildings



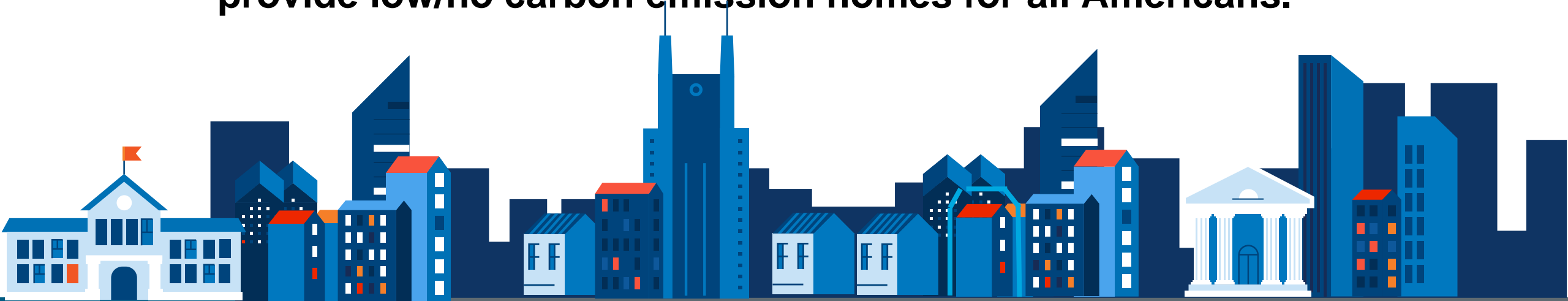
Vision:

**All low/no carbon emission new construction homes by 2035.
All low/no carbon emission existing homes by 2050.**



Mission:

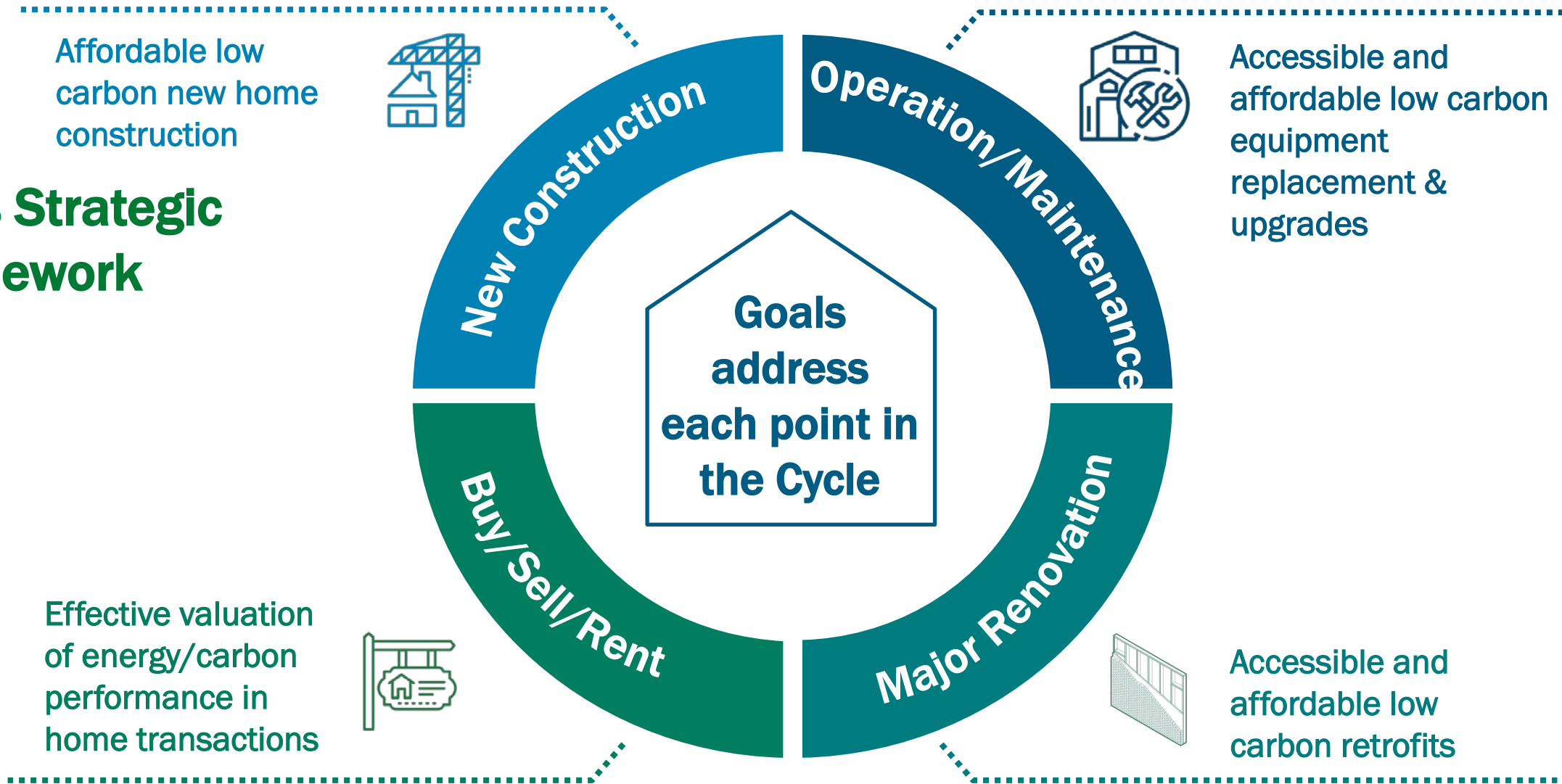
Accelerate market adoption of technologies and strategies needed to provide low/no carbon emission homes for all Americans.



RBI's Strategic Framework

RBI's vision is ambitious and can only be accomplished with clear focus. These four strategic goals help RBI prioritize actions that are aligned with market opportunities and consistent with the vision of creating a low/no carbon US residential building stock.

RBI's Strategic Framework



What is DOE's Zero Energy Ready Home Program?



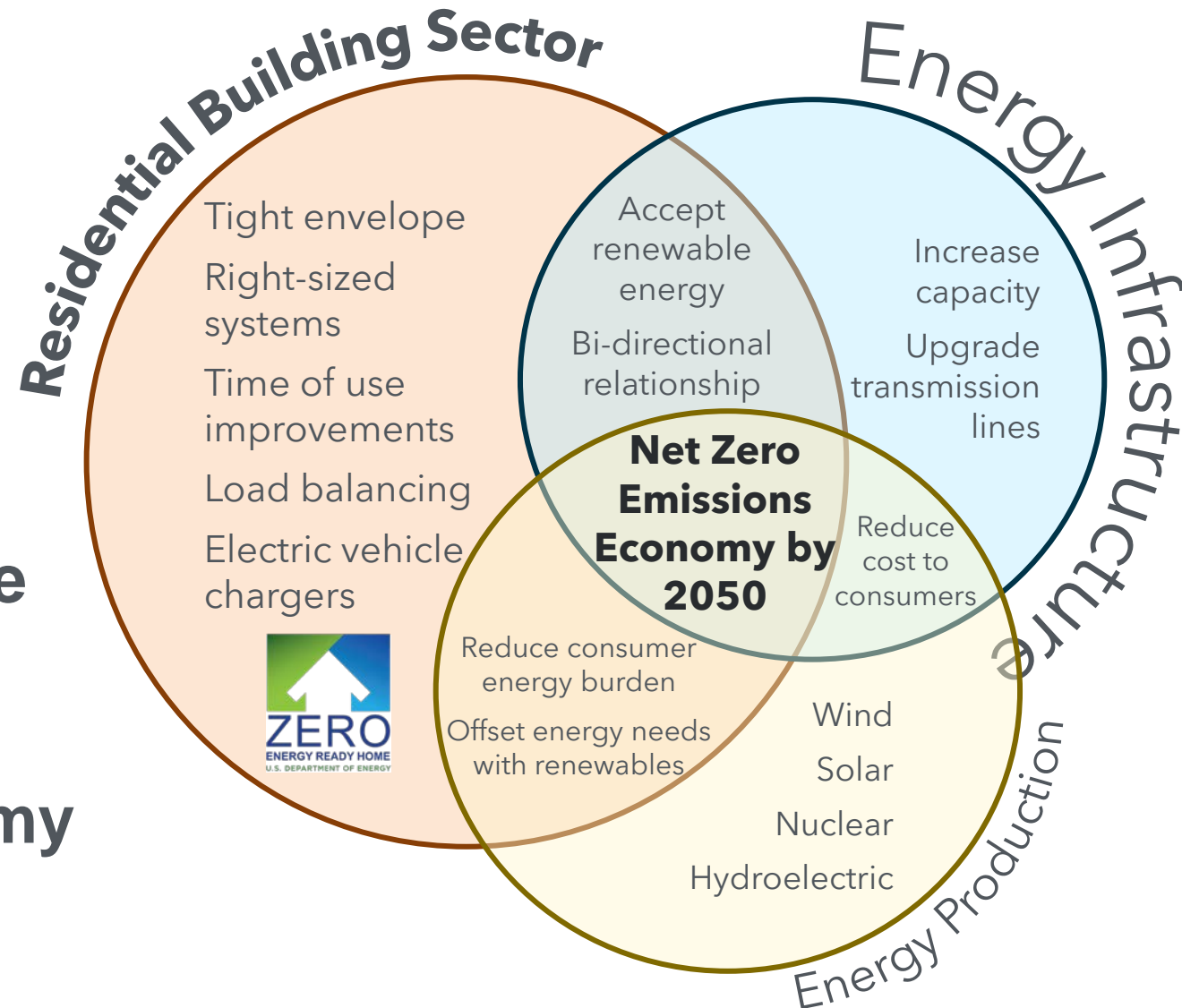
The federal government's most rigorous voluntary certification for high performance, energy efficient homes.

ZERH Collaborates with Other Federal Programs



DOE's Zero Energy Ready Home Program establishes the highest performance levels of federal programs to advance the housing industry. **Requires ENERGY STAR and Indoor airPLUS as prerequisites.**

ZERH supports the Administration's Goal of a Net Zero Emissions Economy by 2050



LIVE BETTER



\$1,000s Savings



Cozy Indoors



Total Comfort



Healthy Living



Peace-of-Mind

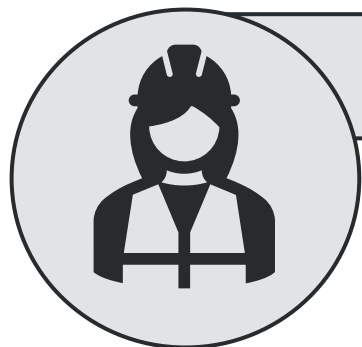


Quality Assurance



Future Ready

ZERH Partners Across Many Sectors



Builders



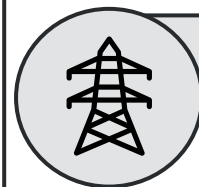
HARKINS



*KH*ovnanian
Homes



ADDISON
HOMES



Utilities



Green Finance



Federal Home Loan Bank
NEW YORK



Fannie Mae



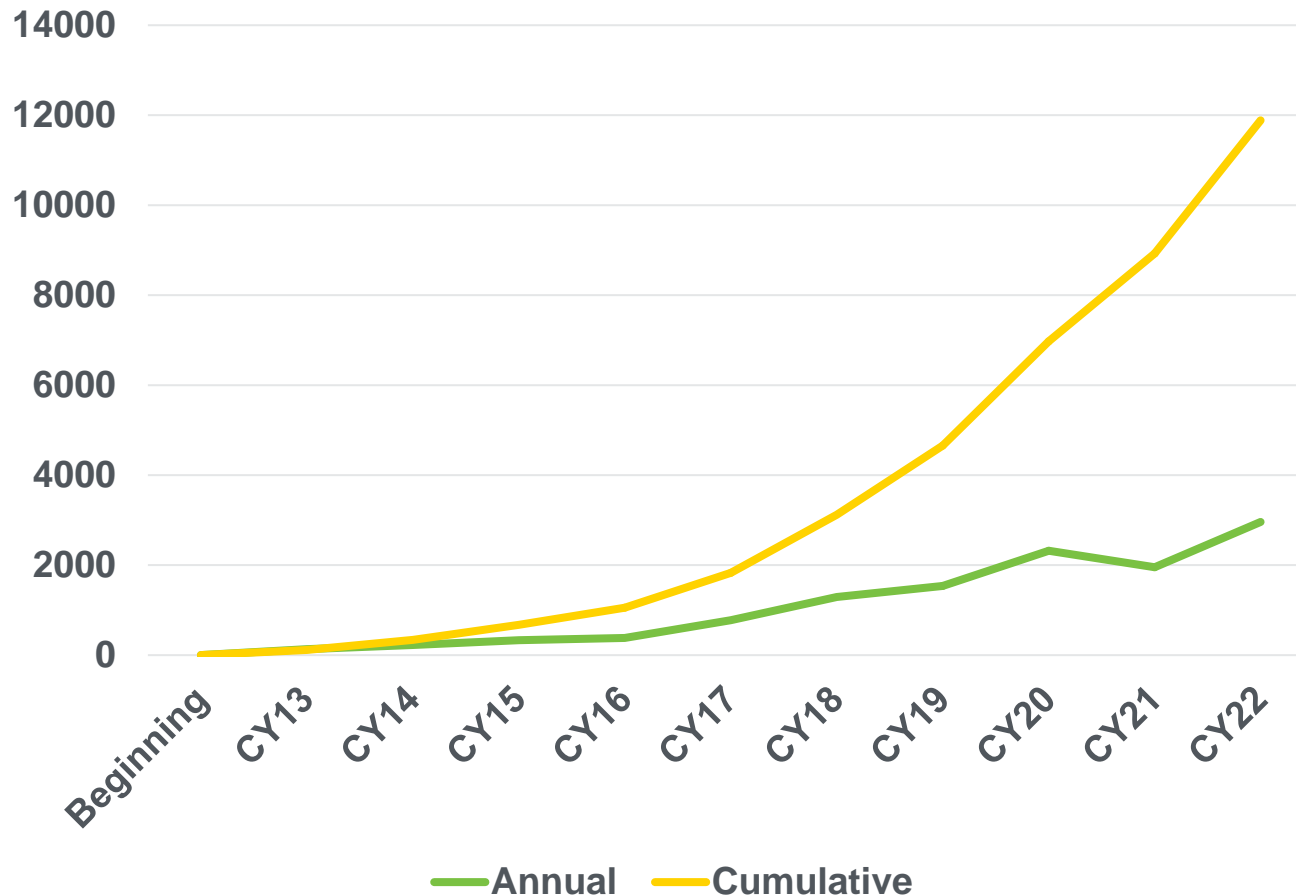
States



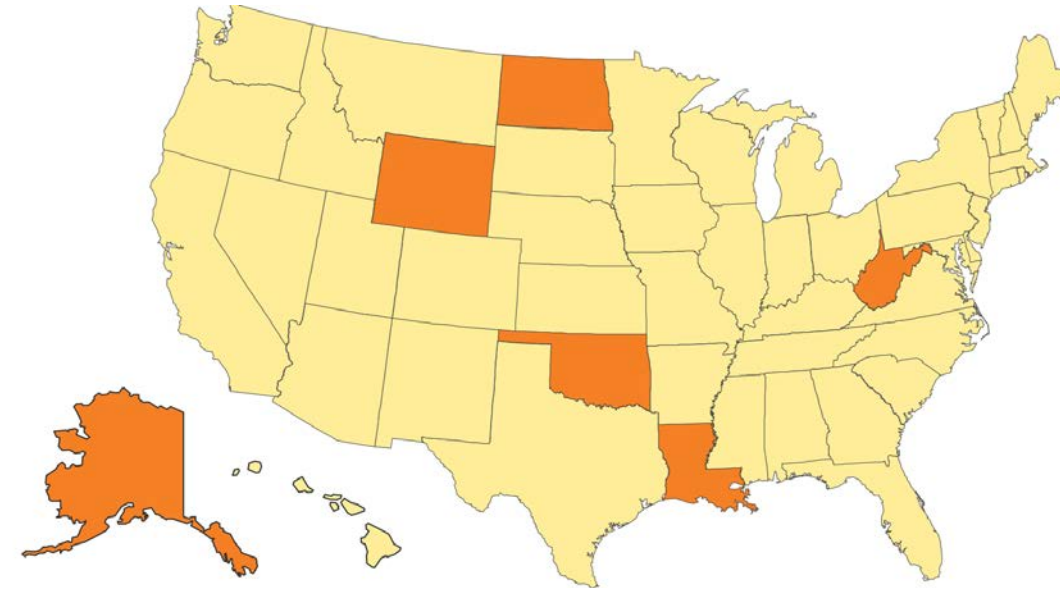
NYSERDA



Cumulative and Annual ZERH Certifications



States with ZERH Certified Projects



States without ZERH Certified Projects

as of June 2023

The ZERH Ecosystem

Townhomes



Single Family



Manufactured Homes



Multifamily, any height



Duplexes



Building Eligibility – ZERH Multifamily Version 2



Multifamily
Buildings

Any height

Townhouses

Only using
the ERI*
pathway

Mixed-Use
Buildings

With more than
50% sqft for
residents

* Energy Ratings Index

NOT ELIGIBLE

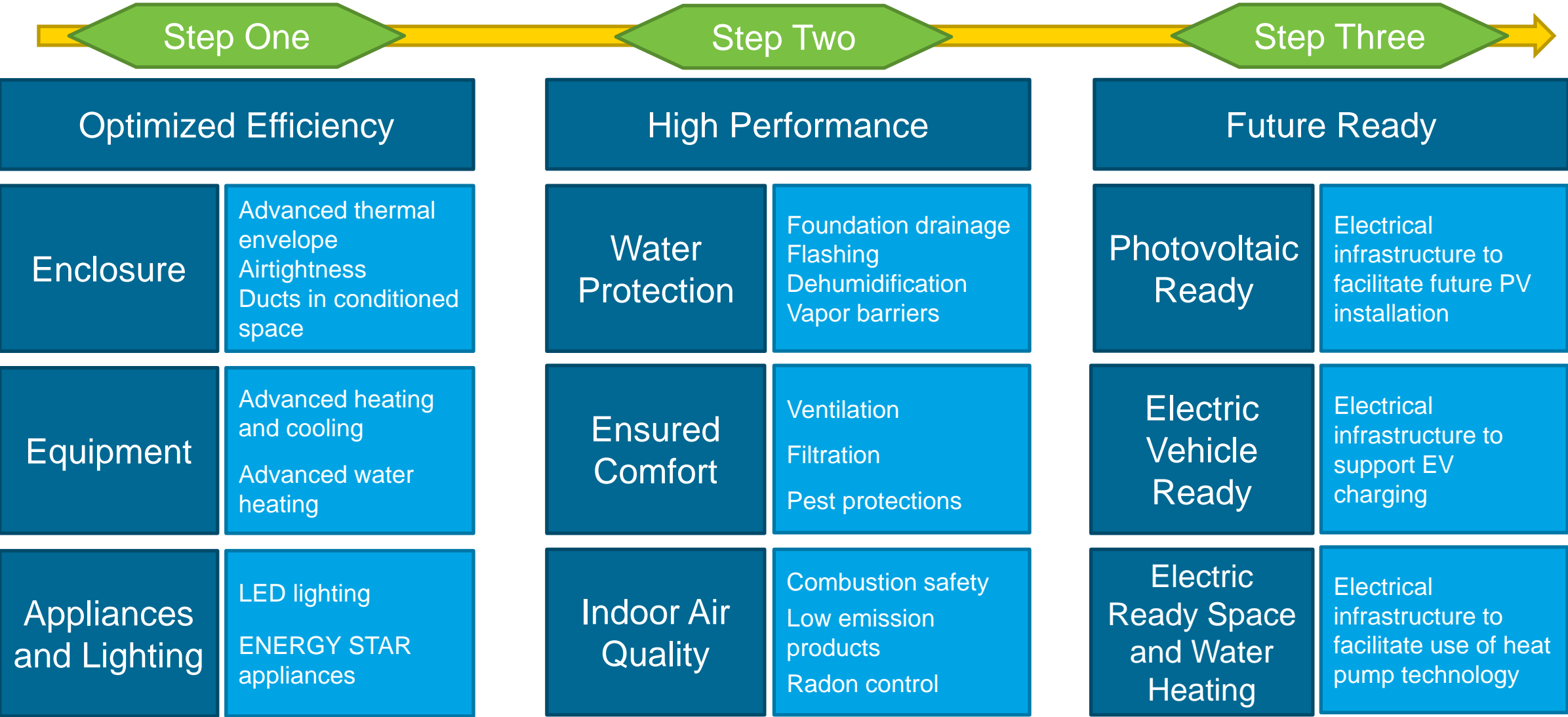


Single Family Homes



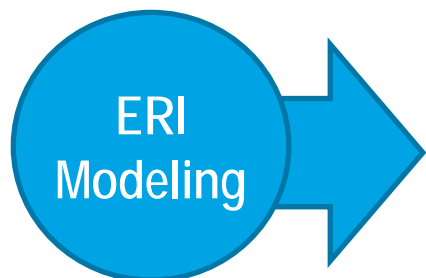
Duplexes

Program Requirements – ZERH Multifamily V2



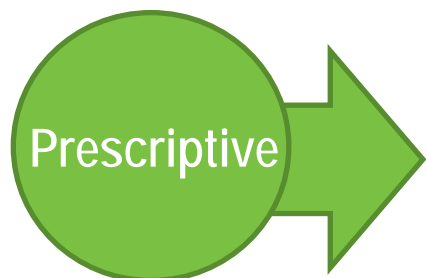
Requirements

Benefits of Path



- Model apartments with ERI software
- Include mandatory ZERH MF items

- Also offered by ENERGY STAR
- Builders choose efficiency elements that work best with their designs



- Design apartments using the ZERH National Program Requirements
- Include mandatory ZERH MF items.

- Also offered by ENERGY STAR
- No modeling to save on cost and make the program accessible



- Model buildings with ASHRAE 90.1 software
- Include mandatory ZERH MF items

- Also offered by ENERGY STAR
- Makes program more accessible to large developers

ZERH Version 2 Supports Healthy, High-Performance, and Clean Energy Affordable Housing

Honestly ... I couldn't afford to pay for rent and groceries and gas and everything. [Now] we can afford to go out and have a fun night at the movies or whatever we choose to do.

— HOMEOWNER, HABITAT FOR HUMANITY GRAND TRAVERSE



We are very excited to hear the energy bills and mortgage will be ... much lower combined than just our rent was before.

— HOMEOWNER, KALAMAZOO VALLEY HABITAT FOR HUMANITY

ZERH Engagement with State Low Income Housing Tax Credit (LIHTC) Programs

ZERH Multifamily Version 2 will be referenced
(either required or incentivized)
in **numerous affordable housing programs.**

States with direct references:

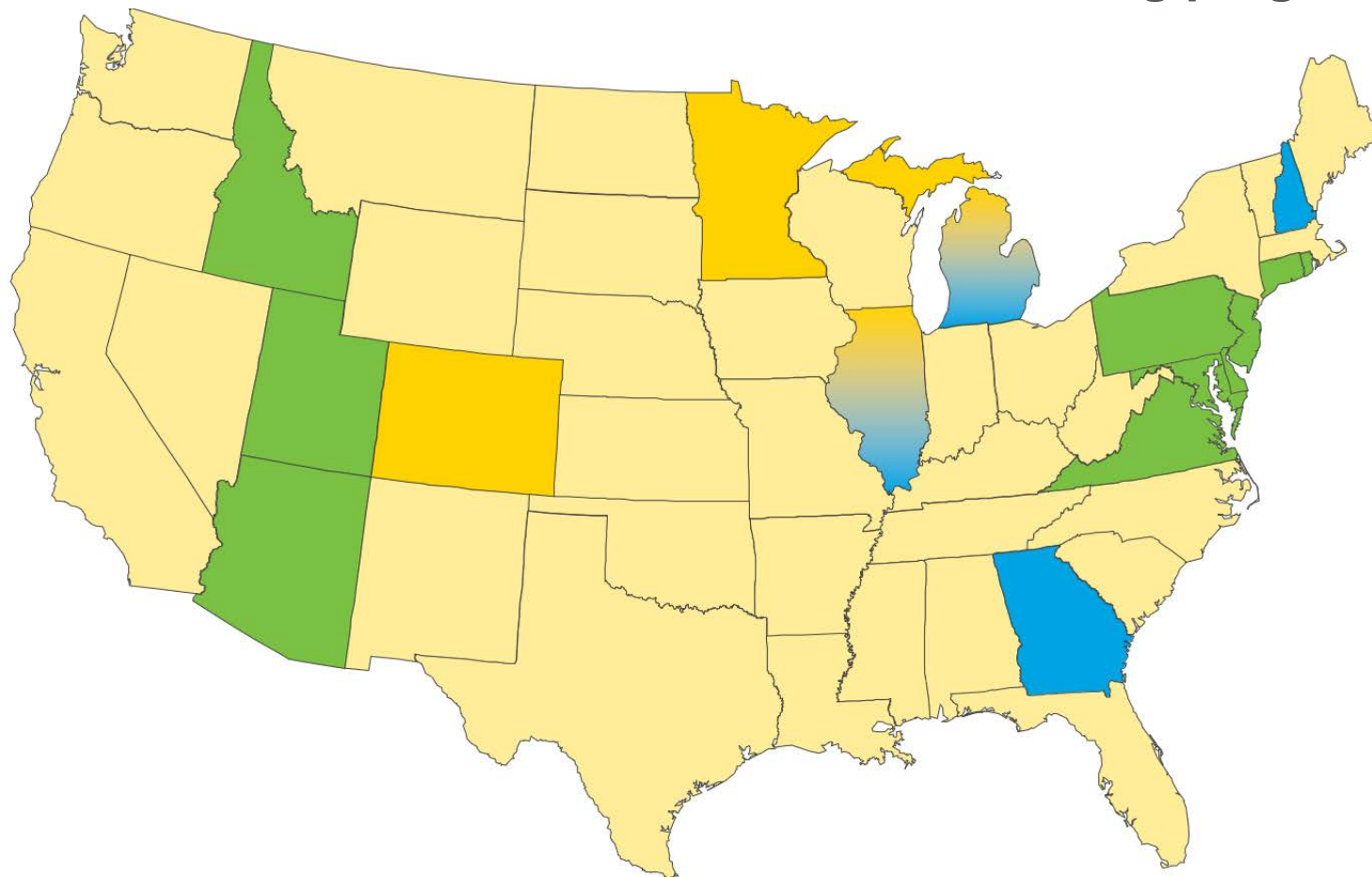
Arizona, Connecticut, Delaware, Idaho, Maryland, New Jersey, Pennsylvania, Rhode Island, Utah, Virginia

States with reference via EGC Plus:

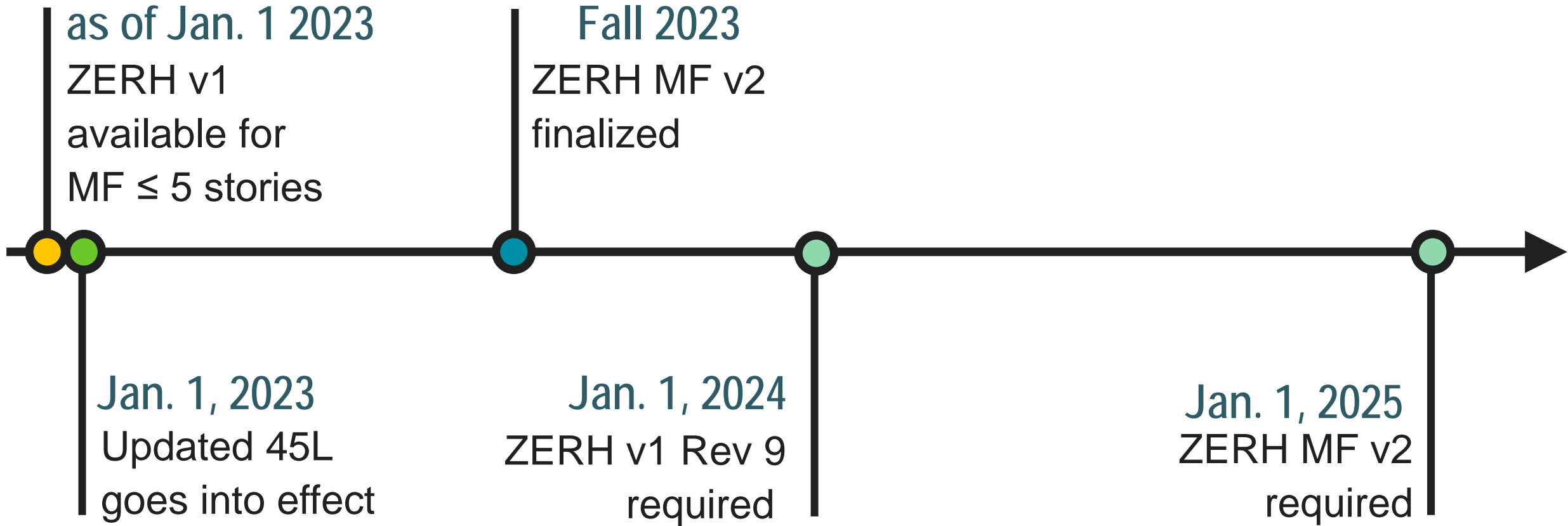
Colorado, Washington D.C., Illinois, Michigan, Minnesota

States with ongoing engagement:

Michigan, Illinois, Georgia, New Hampshire



Timeline: ZERH and 45L



ZERH Multifamily Version 2 and 45L Tax Credits



Tiers of 45L Tax Credits, 2023-2032

Building Type	ENERGY STAR Tier	DOE ZERH Tier
Single family and manufactured homes	\$2,500	\$5,000
Dwellings in multifamily buildings	\$500	\$1,000
Dwellings in multifamily buildings. <i>Prevailing wage requirements met.</i>	\$2,500	\$5,000

ZERH Multifamily Version 2 is scheduled to be required for projects permitted in 2025 to earn the tax credit.

ZERH Program Version	2023	2024	2025
National V1	✓	✗	✗
California V1 (Rev. 08)	✓	✗	✗
National SF V2		✓	✓
National V1 (Rev. 09)		✓	✗
Multifamily V2			✓
Multifamily for California, V2		✓	✓

For more information

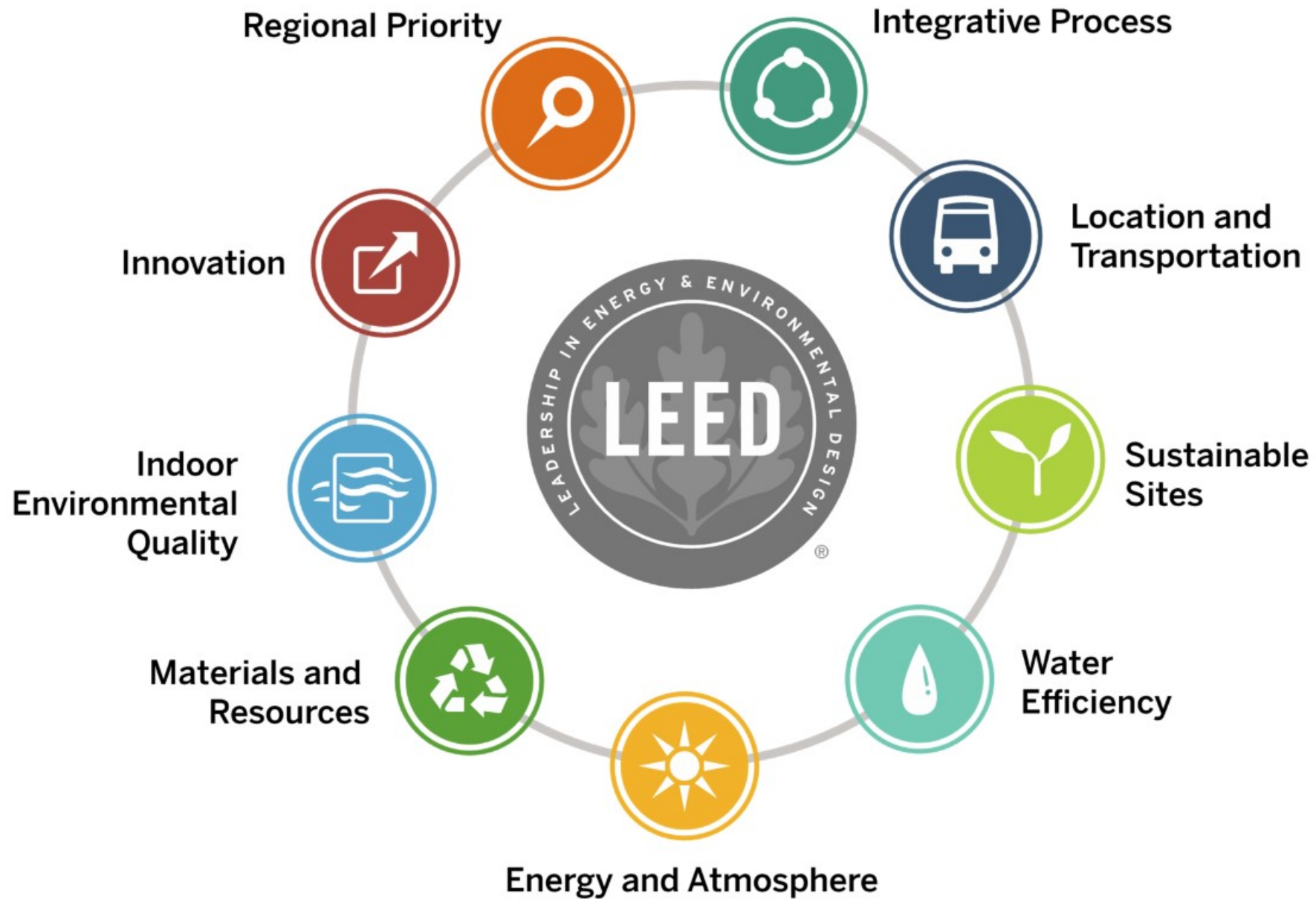
- Visit ZERH website
- Sign up to receive updates
- Questions? ZERH@doe.gov



LEED RESIDENTIAL

LEED: A verifiable framework for identifying & implementing practical & measurable green building strategies and solutions







LEED v4 for Building Design and Construction: Homes and Multifamily Lowrise

Project Checklist

Project Name:

Date:

Y ? N

☐ ☐ ☐ Credit Integrative Process 2

0 0 0 Location and Transportation 15

☐ ☐ ☐ Prereq Floodplain Avoidance Required

PERFORMANCE PATH

☐ ☐ ☐ Credit LEED for Neighborhood Development Location 15

PRESCRIPTIVE PATH

☐ ☐ ☐ Credit Site Selection 8

☐ ☐ ☐ Credit Compact Development 3

☐ ☐ ☐ Credit Community Resources 2

☐ ☐ ☐ Credit Access to Transit 2

0 0 0 Sustainable Sites 7

☐ ☐ ☐ Prereq Construction Activity Pollution Prevention Required

☐ ☐ ☐ Prereq No Invasive Plants Required

☐ ☐ ☐ Credit Heat Island Reduction 2

☐ ☐ ☐ Credit Rainwater Management 3

☐ ☐ ☐ Credit Non-Toxic Pest Control 2

0 0 0 Water Efficiency 12

☐ ☐ ☐ Prereq Water Metering Required

PERFORMANCE PATH

☐ ☐ ☐ Credit Total Water Use 12

PRESCRIPTIVE PATH

☐ ☐ ☐ Credit Indoor Water Use 6

☐ ☐ ☐ Credit Outdoor Water Use 4

0 0 0 Energy and Atmosphere 38

☐ ☐ ☐ Prereq Minimum Energy Performance Required

☐ ☐ ☐ Prereq Energy Metering Required

☐ ☐ ☐ Prereq Education of the Homeowner, Tenant or Building Manager Required

PERFORMANCE PATH

☐ ☐ ☐ Credit Annual Energy Use 29

BOTH PATHS

☐ ☐ ☐ Credit Efficient Hot Water Distribution System 5

☐ ☐ ☐ Credit Advanced Utility Tracking 2

☐ ☐ ☐ Credit Active Solar Ready Design 1

☐ ☐ ☐ Credit HVAC Start-Up Credentialing 1

PRESCRIPTIVE PATH

☐ ☐ ☐ Prereq Home Size Required

☐ ☐ ☐ Credit Building Orientation for Passive Solar 3

☐ ☐ ☐ Credit Air Infiltration 2

☐ ☐ ☐ Credit Envelope Insulation 2

☐ ☐ ☐ Credit Windows 3

☐ ☐ ☐ Credit Space Heating & Cooling Equipment 4

EA PRESCRIPTIVE PATH (continued)

☐ ☐ ☐ Credit Heating & Cooling Distribution Systems 3

☐ ☐ ☐ Credit Efficient Domestic Hot Water Equipment 3

☐ ☐ ☐ Credit Lighting 2

☐ ☐ ☐ Credit High Efficiency Appliances 2

☐ ☐ ☐ Credit Renewable Energy 4

0 0 0 Materials and Resources 10

☐ ☐ ☐ Prereq Certified Tropical Wood Required

☐ ☐ ☐ Prereq Durability Management Required

☐ ☐ ☐ Credit Durability Management Verification 1

☐ ☐ ☐ Credit Environmentally Preferable Products 4

☐ ☐ ☐ Credit Construction Waste Management 3

☐ ☐ ☐ Credit Material Efficient Framing 2

0 0 0 Indoor Environmental Quality 16

☐ ☐ ☐ Prereq Ventilation Required

☐ ☐ ☐ Prereq Combustion Venting Required

☐ ☐ ☐ Prereq Garage Pollutant Protection Required

☐ ☐ ☐ Prereq Radon-Resistant Construction Required

☐ ☐ ☐ Prereq Air Filtering Required

☐ ☐ ☐ Prereq Environmental Tobacco Smoke Required

☐ ☐ ☐ Prereq Compartmentalization Required

☐ ☐ ☐ Credit Enhanced Ventilation 3

☐ ☐ ☐ Credit Contaminant Control 2

☐ ☐ ☐ Credit Balancing of Heating and Cooling Distribution Systems 3

☐ ☐ ☐ Credit Enhanced Compartmentalization 1

☐ ☐ ☐ Credit Enhanced Combustion Venting 2

☐ ☐ ☐ Credit Enhanced Garage Pollutant Protection 2

☐ ☐ ☐ Credit Low Emitting Products 3

0 0 0 Innovation 6

☐ ☐ ☐ Prereq Preliminary Rating Required

☐ ☐ ☐ Credit Innovation 5

☐ ☐ ☐ Credit LEED AP Homes 1

0 0 0 Regional Priority 4

☐ ☐ ☐ Credit Regional Priority: Specific Credit 1

☐ ☐ ☐ Credit Regional Priority: Specific Credit 1

☐ ☐ ☐ Credit Regional Priority: Specific Credit 1

☐ ☐ ☐ Credit Regional Priority: Specific Credit 1

0 0 0 TOTALS Possible Points: 110

Certified: 40 to 49 points, Silver: 50 to 59 points, Gold: 60 to 79 points, Platinum: 80 to 110

LEED® Facts

[Your Project Here]

[City, State, Country]

LEED v4.1 Residential: Multifamily

Platinum 110*

Integrative Process 1

Location & Transportation 15

Sustainable Sites 9

Water Efficiency 12

Energy & Atmosphere 34

Materials & Resources 13

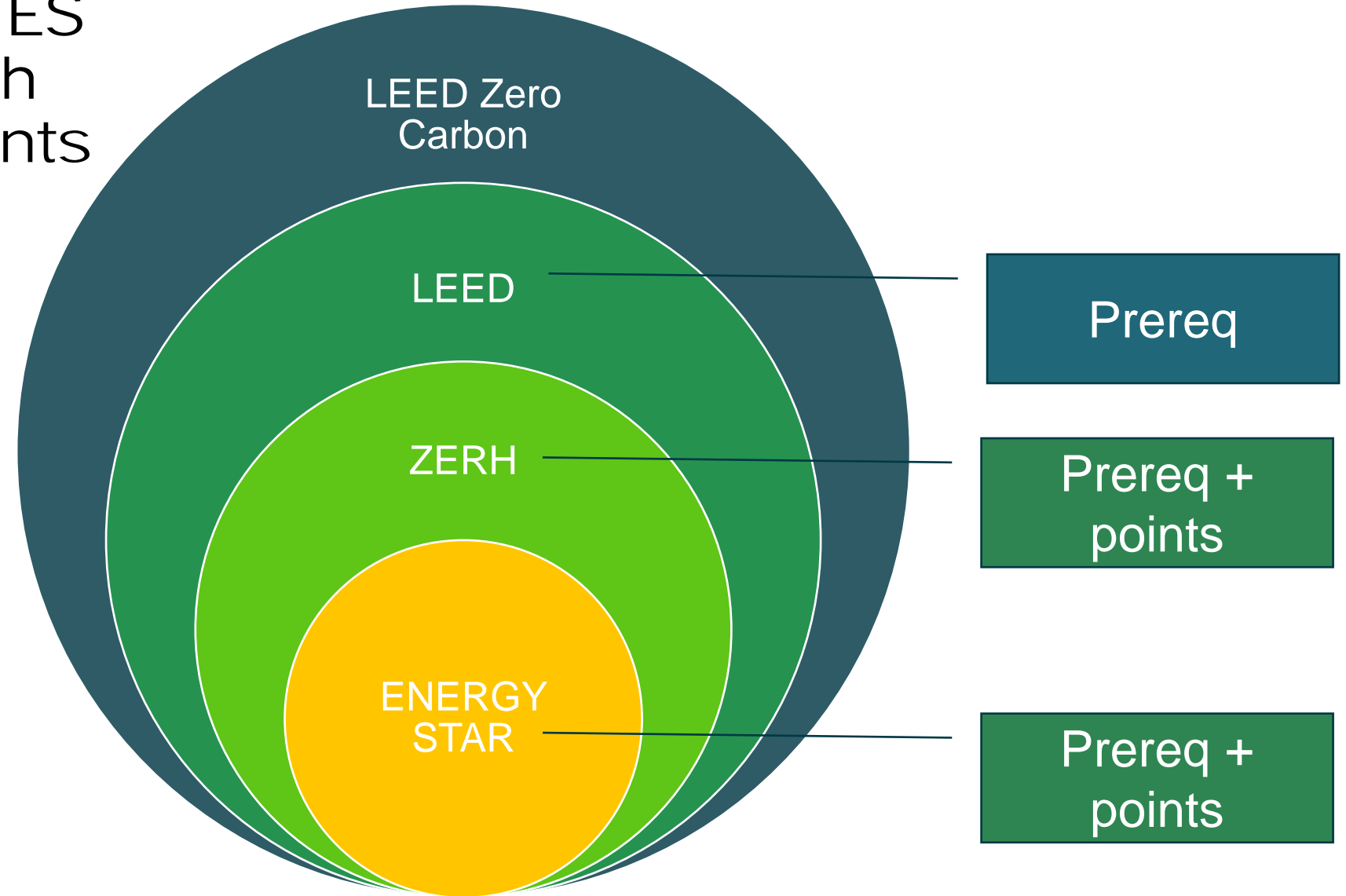
Indoor Environmental Quality 16

*Out of a possible 100 points + 10 bonus points

Innovation 6

Regional Priority 4

LEED builds on ES
and ZERH with
streamlined points



COMING SOON

LEED v5

45L INCENTIVES

Duplex and Townhouse Projects for 45L

ENERGY STAR	ZERH	LEED	LEED ACPs/LIs
ESSFNH	SF v2	LEED v4 Homes or LEED v4.1 Single Family	ES LI 10510 <i>ZERH v2 coming, see ZERH v1 points</i>
ESMFNC – option for Townhouses, ERI pathway	MF v2 (ERI pathway)	LEED v4 Homes	<i>ZERH v2 coming, see ZERH v1 points</i>

Notes:

1. LEED is not directly incentivized by 45L; LEED versions corresponding to incentivized ES and ZERH programs are shown to assist project teams.

Lowrise Multifamily Projects for 45L

ENERGY STAR	ZERH	LEED	LEED ACPs/LIs
ESMFNC	MF v2	LEED v4 Homes Multifamily Lowrise	ES LI 10492 , LI 10491 <i>ZERH v2 coming, see ZERH v1 points</i>

Notes:

1. LEED is not directly incentivized by 45L; LEED versions corresponding to incentivized ES and ZERH programs are shown to assist project teams.

Midrise and Highrise Multifamily Projects for 45L

ENERGY STAR	ZERH	LEED	LEED ACPs/LIs
ESMFNC	MF v2	LEED v4 Homes Multifamily Midrise	ES LI 10491 <i>ZERH v2 coming, see ZERH v1 points</i>
ESMFNC	MF v2	LEED v4 BD+C	<i>To be evaluated</i>

Notes:

1. LEED is not directly incentivized by 45L; LEED versions corresponding to incentivized ES and ZERH programs are shown to assist project teams.



Buildings and the IRA: The New Incentives for Going Green



VB Parks + Recreation | LEED Certified | Photo: Yuzhu Zheng Photography



River Point | LEED Gold | Photo: Ray Cavacchio



Southwest Library | LEED Platinum | Photo: ©James Steinkamp Photography

Sec. 45L New Energy Efficient Homes Credit (IRA Sec. 13304)

Expanded Sec. 45L homebuilder tax credit for new home construction, including multifamily, through 2032:

- Increased from \$2,000 historically for meeting outdated IECC reference to \$2,500 for meeting ENERGY STAR and \$5,000 for DOE zero-energy ready.
- Previously restricted to multifamily buildings three stories or less, the updates make it accessible to all multifamily at \$2,500/\$5,000 per unit.
- Prevailing wage provisions apply to multifamily projects, which receive reduced credit of \$500/\$1,000 without meeting them.
- Does not include a direct pay or transfer provision for governments or nonprofits to use. However, the IRA made the credit available for use alongside the Low-Income Housing Tax Credit (LIHTC) without reducing LIHTC basis, making it more attractive for privately developed affordable housing projects.

Brightview Senior Living | LEED Gold | © Hord Coplan Macht

Inflation Reduction Act Prevailing Wage Provisions

IRS Guidance

To meet the prevailing wage requirements with respect to any qualified facility, “a taxpayer must ensure that any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in: (i) the construction of such facility, and (ii) the alteration or repair of such facility (with respect to any taxable year, for any portion of such taxable year that is within the 10-year period beginning on the date the qualified facility is originally placed in service), **are paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality in which such facility is located** as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code (Prevailing Wage Rate Requirements).”

Additional incentives

Additional Incentives

STACKING WITH 45L

- Tax Deduction for Energy Efficient Commercial Buildings Sec. 179D
- Sec. 48 Clean Electricity Investment Tax Credit (IRA)
- Sec. 30C EV Charging, Alternative Fuel Vehicle Fueling (IRA)
- Low Income Housing Tax Credit

ALTERNATIVE TO 45L

- DOE Home Energy Rebates (IRA 50121) (whole building)
- DOE Home Electrification and Appliance Rebates (IRA 50122) (income-based)
- HUD Green and Resilient Retrofit Program (affordable housing only) (Sec. 30002)

Sec. 48 Clean Electricity Investment Tax Credit (IRA Secs. 13102 & 13702)

Expanded ITC for clean energy investments such as rooftop solar, geothermal, CHP and storage extended for at least 10 years:

- For most projects, credit of 30% of investment if wage and apprenticeship provisions met, dropped to 6% if not met. Projects smaller than 1MW not required to meet labor provisions.
- Credit increased by additional 10% if domestic content requirements are met and another 10% if project is in a designated “energy community” such as a brownfield site or a census tract with shuttered coal operations. Additional bonus credits of 10% or 20% for qualified projects serving low-income communities. Max credit of 60% if all bonus criteria is met.
- New options for “direct pay” of credits for government and nonprofit entities to use credit even without tax liability, and streamlined transferability for other entities. Starting in 2024, direct pay phased out for projects larger than 1MW that don’t meet domestic content requirements.
- Eligibility is expanded to new technologies such as standalone energy storage, microgrid controllers and dynamic glass.
- In 2025, for most technologies, ITC converts to technology-neutral structure (Sec. 48E) that provides similar incentives for emissions-free technologies, in place through at least 2032.



Market One | LEED Platinum | Photo: © Jared Heidemann

Sec. 30C Alternative Fuel Vehicle Refueling Property Credit (IRA Sec. 13404)

Expanded Sec. 30C tax credit for EV charging systems and other alternative fuel vehicle infrastructure through 2032:

- Credit of 30% of expenses up to \$100,000 per charging/fueling unit on commercial properties, including retail, office, etc. (Past cap was \$30,000 per property.)
- Must meet prevailing wage and apprenticeship program requirements or credit is reduced to 6%.
- Available as “direct pay” to government and nonprofit/tax-exempt entities.
- Eligible properties must be in targeted rural or low-income census tracts.
- Bidirectional charging equipment eligible starting in 2023.



City of Coral Gables | LEED Gold | Photo: © City of Coral Gables

Inflation Reduction Act "Direct Pay" Provision

[White House Info Page](#), [IRS Proposed Rule](#) and [IRS Info Page](#)

Direct pay (formally called elective pay) allows tax-exempt entities, including municipalities, schools, states, universities, nonprofits, hospitals, etc., to receive payment – or essentially a rebate – for the amount of the tax credit even if they have no tax liability.

- Applies to 12 IRA tax incentives starting Jan. 1, 2023. Most relevant for buildings, it applies to ITC for on-site renewable energy, storage, microgrids, etc., and the EV charging infrastructure credits.
- Credit is taken annually for the tax year property is placed into service (ie rooftop solar placed in service in Sept. 2023, credit taken when filing 2023 taxes in 2024.)
- Filers required to submit pre-filing registration (to be released soon) delineating projects/property and receive a registration number for each project/property to include on tax returns.
- Tax form used for direct pay depends on entity – typically Form 990-T for entities that don't file federal taxes.
- Entities ineligible for direct pay can now transfer, or essentially sell, credits.

Consult your
tax advisor

What project teams can do now

1. Get familiar with dates & versions applicable to your project
 - 45L date is based on when the home/unit is acquired
 - Program dates are based on when the permit is issued
2. Learn ENERGY STAR Multifamily New Construction v1.2
3. Learn and assess projects for EPA Indoor airPlus
4. LEED v5: watch for updates and draft release; public comment anticipated Q1 2024
5. Talk to your tax advisor

Questions

Thank you.

Helpful links QR Code



**Treasury/IRS
news alert**



**LEED
residential
programs**



**USGBC's IRA
deck**



MFNC



ZERH

Helpful links

Treasury/IRS

News alert: <https://www.irs.gov/newsroom/irs-builders-of-qualified-new-energy-efficient-homes-might-qualify-for-an-expanded-tax-credit-under-section-45l>

EPA

ENERGY STAR MFNC Program Requirements: www.energystar.gov/mfnc

45L-related: https://www.energystar.gov/about/federal_tax_credits/federal_tax_credit_archives/tax_credits_home_builders

DOE

USGBC

LEED residential programs: <https://www.usgbc.org/leed/rating-systems/residential>

IRA deck: <https://www.usgbc.org/resources/inflation-reduction-act-buildings-provisions>

This deck