# This Guide Can Help You Save Money and Fight Climate Change

The new climate and tax law can bring big savings for anyone looking to buy an electric car or make their home more energy efficient.

Seiji Matsumoto

**By Nadja Popovich and Elena Shao** UPDATED May 1, 2023.  **New York Times**

Many American consumers are now eligible to save thousands of dollars when they buy an electric car, heat pump, solar panels or energy-efficient appliances.

Those savings kicked in this year as part of the Inflation Reduction Act, major legislation that [aims to cut planet-warming greenhouse gas emissions](https://www.nytimes.com/interactive/2022/08/02/climate/manchin-deal-emissions-cuts.html). The law tackles two major sources of those emissions, [transportation](https://www.nytimes.com/interactive/2019/10/10/climate/driving-emissions-map.html) and [housing](https://rmi.org/building-electrification-a-key-to-a-safe-climate-future/), in part by helping Americans electrify their cars and homes, and by making the most energy efficient choices more affordable through tax credits and rebates.

Taking advantage of the new law will require some planning, experts said, especially when it comes to major purchases and renovations. It helps that many of the benefits will be around for a decade or more, though not all of them are available just yet: Federal tax credits took effect on Jan. 1, but [rebates](https://www.energy.gov/scep/home-energy-rebate-programs-frequently-asked-questions), which will offer billions of dollars in up-front discounts or partial refunds to consumers through state and tribal governments, won’t roll out until later this year.

Here’s how to access the savings:

## Home Improvements

If you own your home, there are plenty of opportunities to save money through the new law when you make energy-saving renovations or upgrade to more efficient, electric appliances. Technically, many of the law’s provisions could apply to renters, too, but experts said there’s still some uncertainty about what is covered — for example, it isn’t clear right now whether the tax credits for heat pumps will apply to window units.

### **Get a home energy audit**–

A room by room walk-through to evaluate your home’s energy use, conducted by a licensed professional, can help identify where your house is losing energy, what you can do to save money on your bills and how to best make energy efficiency upgrades.

**How to save:** A tax credit can cover 30 percent of the cost of an audit, up to $150.

**Who qualifies?** Everyone, but your savings will also depend on your tax bill. The credits can lower the amount you owe in federal taxes, but they won’t get you a refund if you don’t owe anything.

**When is it available?** Now through the end of 2032.

**More information:** [U.S. Department of Energy](https://www.energy.gov/energysaver/professional-home-energy-assessments)

### **Install solar panels or other renewable energy options**–

New clean energy technologies for your home, including rooftop solar panels, wind turbines and geothermal heat pumps, as well as standalone batteries to store electricity from renewable sources, qualify for tax credits.

**How to save:** A tax credit can cover 30 percent of qualifying purchases, with no cap on the total purchase price. The credit can also cover the cost of labor, permits and inspection. (The credit drops to 26 percent in 2033, and to 22 percent in 2034 before phasing out in 2035.)

**Who qualifies?** Everyone, but your savings will also depend on your tax bill. The credits can lower the amount you owe in federal taxes, but they won’t get you a refund if you don’t owe anything.

**When is it available?** Now through the end of 2034. Applies retroactively to projects completed in 2022, except for standalone battery storage.

**More information:** [I.R.S. fact sheet (pdf)](https://www.irs.gov/pub/taxpros/fs-2022-40.pdf)

### **Make energy-saving renovations and buy efficient appliances**–

Purchases of highly energy-efficient home systems — including water heaters, central air conditioners and boilers — qualify for tax credits. So do energy-saving home improvements, like insulation, sealing air leaks and more energy-efficient exterior doors, windows and skylights.

**How to save:** A tax credit can cover 30 percent of the cost of certain appliances that meet [energy certification requirements](https://www.irs.gov/credits-deductions/frequently-asked-questions-about-energy-efficient-home-improvements-and-residential-clean-energy-property-credits-energy-efficiency-requirements), up to $600 per item. It can also cover other home efficiency upgrades, up to a maximum of $1,200 for insulation, $500 for doors and $600 for windows and skylights. There’s an annual limit of $1,200 (which includes the $150 credit you can claim for a home energy assessment).

**Who qualifies?** Everyone, but your savings will also depend on your tax bill. The credits can lower the amount you owe in federal taxes, but they won’t get you a refund if you don’t owe anything.

**When is it available?** Now through the end of 2032. (Through the end of 2027 for hot water boilers.)

**More information:** [I.R.S. fact sheet (pdf)](https://www.irs.gov/pub/taxpros/fs-2022-40.pdf),[Energy Star Tax Credit guide](https://www.energystar.gov/about/federal_tax_credits/non_business_energy_property_tax_credits)

### **Install a heat pump**–

New [heat pumps](https://www.nytimes.com/wirecutter/guides/heat-pump-buying-guide/#what-is-a-heat-pump-anyway) (essentially two-way air conditioners that efficiently heat and cool your home) and heat pump water heaters qualify for tax credits.

**How to save:** A tax credit covers 30 percent of the costs of purchase and installation, up to $2,000 per year. (This is in addition to the $1,200 available in tax credits for other energy-saving renovations and appliances.)

**Who qualifies?** Everyone, but your savings will also depend on your tax bill. The credits can lower the amount you owe in federal taxes, but they won’t get you a refund if you don’t owe anything.

**When is it available?** Now through the end of 2032.

**More information:** [I.R.S. fact sheet (pdf)](https://www.irs.gov/pub/taxpros/fs-2022-40.pdf), [Energy Star Tax Credit guide](https://www.energystar.gov/about/federal_tax_credits/non_business_energy_property_tax_credits)

### **Get a rebate for renovations that reduce energy use**–

#### NOT YET AVAILABLE

You can get a rebate for making renovations that lower energy use throughout your home, like adding insulation and sealing air leaks, replacing exterior doors and windows and making ventilation improvements.

**How to save:** The rebate amount depends on two factors: your household income and how much energy you save with the renovations, which can be determined through modeling or measurements. If using the modeled energy savings route, the rebate amount ranges from $2,000 to $4,000, or 50 percent of project costs, with incentives doubled for low-income households, up to 80 percent of project costs. There is no maximum cap on savings through the measured savings route, where households use their utility bills to show evidence of the reduction in energy use.

**Who qualifies?** Everyone, but low-income households can receive more money back.

**When is it available?** The rebate is expected to be available later this year and last through Sept. 30, 2031, or until funding runs out. Implementation will vary from state to state.

**More information:** [Rewiring America](https://www.rewiringamerica.org/app/ira-calculator/information/whole-home-energy-reduction-rebates)

### **Get discounts for energy-efficiency upgrades for lower-income households**–

#### NOT YET AVAILABLE

Low- and moderate-income households installing Energy Star-certified electric appliances, including electric stoves and heat pump heating and cooling systems, can get upfront rebates. The rebates apply to other home efficiency upgrades too, like adding insulation and electric wiring.

**How to save:** Upfront rebates are available for qualified purchases, with 100 percent of project costs covered for low-income households (up to the maximum rebate amount), and 50 percent of costs covered for moderate-income households. Maximum amounts vary by category: up to $840 for electric stoves and heat pump clothes dryers, $1,750 for heat pump water heaters and $8,000 for heat pump heating, ventilation and air conditioning systems. You can also get $1,600 for insulation and sealing air leaks, $2,500 for electric wiring and $4,000 for a breaker box.

**Who qualifies?** Low- and moderate-income households only.

**When is it available?** The rebate is expected to become available later this year and last through Sept. 30, 2031, or until funding runs out. Implementation will vary from state to state.

**More information:** [U.S. Department of Energy](https://www.energy.gov/scep/slsc/home-energy-rebate-programs) and [Rewiring America](https://www.rewiringamerica.org/policy/high-efficiency-electric-home-rebate-act)

## Electric Vehicles

A renewed tax credit can help lower the cost of a new electric car, pickup truck or SUV for many buyers. And, for the first time, used electric automobiles qualify for a credit, too. But if you’re looking for savings on other types of vehicles, [like e-bikes](https://www.theverge.com/2022/8/9/23297209/ebike-tax-credit-climate-bill-ev-car-congress) or [motorcycles](https://www.revzilla.com/common-tread/motorcycles-left-out-of-federal-incentives-for-electric-vehicles), you’re out of luck.

### **Buy a new electric car, pickup truck or SUV**–

Save money when purchasing a new electric vehicle from a [qualified manufacturer](https://www.irs.gov/credits-deductions/manufacturers-and-models-for-new-qualified-clean-vehicles-purchased-in-2023-or-after). To qualify, the vehicle must also be assembled in North America and manufacturers must meet certain requirements regarding the components of the vehicle’s battery and where its critical minerals were sourced.

**How to save:** Claim a tax credit of up to $7,500 on eligible vehicles. There is a $55,000 price cap on new cars and sedans and a $80,000 price cap on trucks, SUVs and vans. The Treasury Department issued [a list of electric vehicles that currently qualify](https://www.fueleconomy.gov/feg/tax2023.shtml) for federal tax credits. Models like Nissan's Leaf do not meet the criteria put in place by the Inflation Reduction Act, but a number of Tesla, Chevrolet and Ford models are eligible for the full tax credit.

**Who qualifies?** A single taxpayer making $150,000 or less, heads of households making $225,000 or less, and joint taxpayers making $300,000 or less. Eligibility for the credit also depends on your tax bill. The credits can lower the amount you owe in federal taxes, but they won’t get you a refund if you don’t owe anything.

**When is it available?** Now through the end of 2032. Beginning in 2024, you can transfer the tax credit to car dealers for an upfront “cash on the hood” discount rather than waiting to get money back during tax season.

**More information:** [I.R.S.](https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after)

### **Buy a used electric car, pickup truck or SUV**–

Save when purchasing a used electric vehicle from [a licensed car dealer](https://www.irs.gov/credits-deductions/manufacturers-and-models-of-qualified-used-clean-vehicles). The vehicle must be at least two years old to qualify, but, unlike new electric vehicles, it does not have to be assembled in North America.

**How to save:** Claim a tax credit of up to $4,000 or 30 percent of the vehicle price, whichever is lower, up to maximum vehicle price of $25,000.

**Who qualifies?** A single taxpayer making $75,000 or less, heads of households making $112,500 or less, and joint taxpayers making $150,000 or less. Eligibility for the credit also depends on your tax bill. The credits can lower the amount you owe in federal taxes, but they won’t get you a refund if you don’t owe anything.

**When is it available?** Now through the end of 2032. Beginning in 2024, you can transfer the tax credit to car dealers for an upfront “cash on the hood” discount rather than waiting to get money back during tax season.

**More information:** [I.R.S.](https://www.irs.gov/credits-deductions/used-clean-vehicle-credit)

### **Install an electric vehicle charger at home if you live in a rural or low-income area**–

Installing charging equipment at home for your electric vehicle, including for bikes and motorcycles, qualifies for a tax credit. Hardware and installation, including upgrades to your electrical panel that are needed as a result of the installation, are covered, too.

**How to save:** Claim the tax credit for up to 30 percent of the costs, up to $1,000.

**Who qualifies?** Households in rural and low-income census tracts. Eligibility for the credit also depends on your tax bill. The credits can lower the amount you owe in federal taxes, but they won’t get you a refund if you don’t owe anything.

**When is it available?** Now through the end of 2032.

**More information:** U.S. Department of Energy’s [Alternative Fuels Data Center](https://afdc.energy.gov/laws/10513) and the [I.R.S.](https://www.irs.gov/forms-pubs/about-form-8911)

More information on the Inflation Reduction Act’s consumer savings can be found through [the White House](https://www.whitehouse.gov/cleanenergy/?utm_source=www.cleanenergy.gov), [the I.R.S.](https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022) and the [United States Department of Energy](https://www.energy.gov/scep/slsc/home-energy-rebate-programs). Other federal, state, local and utility savings [may also be available](https://www.dsireusa.org/) for energy-efficiency projects and electric vehicle purchases.

Other sources consulted for this guide: [Rewiring America](https://www.rewiringamerica.org/IRAguide), [Natural Resources Defense Council](https://www.nrdc.org/stories/consumer-guide-inflation-reduction-act), and interviews with Sage Briscoe, a senior policy manager at Rewiring America, and with Stephen Walls, a building decarbonization advocate at the Natural Resources Defense Council