



OREGON
DEPARTMENT OF
ENERGY

Inflation Reduction Act of 2022 Building Related Provisions

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BACKGROUND

“IIJA” and “IRA”

During the summer and fall of 2021, congress was negotiating two pieces of legislation. One passed then and one passed this summer:

1. Infrastructure Investment and Jobs Act of 2021

- Passed with bipartisan support
- Signed into law November 15, 2021
- Funds infrastructure across 380+ federal programs

2. Inflation Reduction Act of 2022

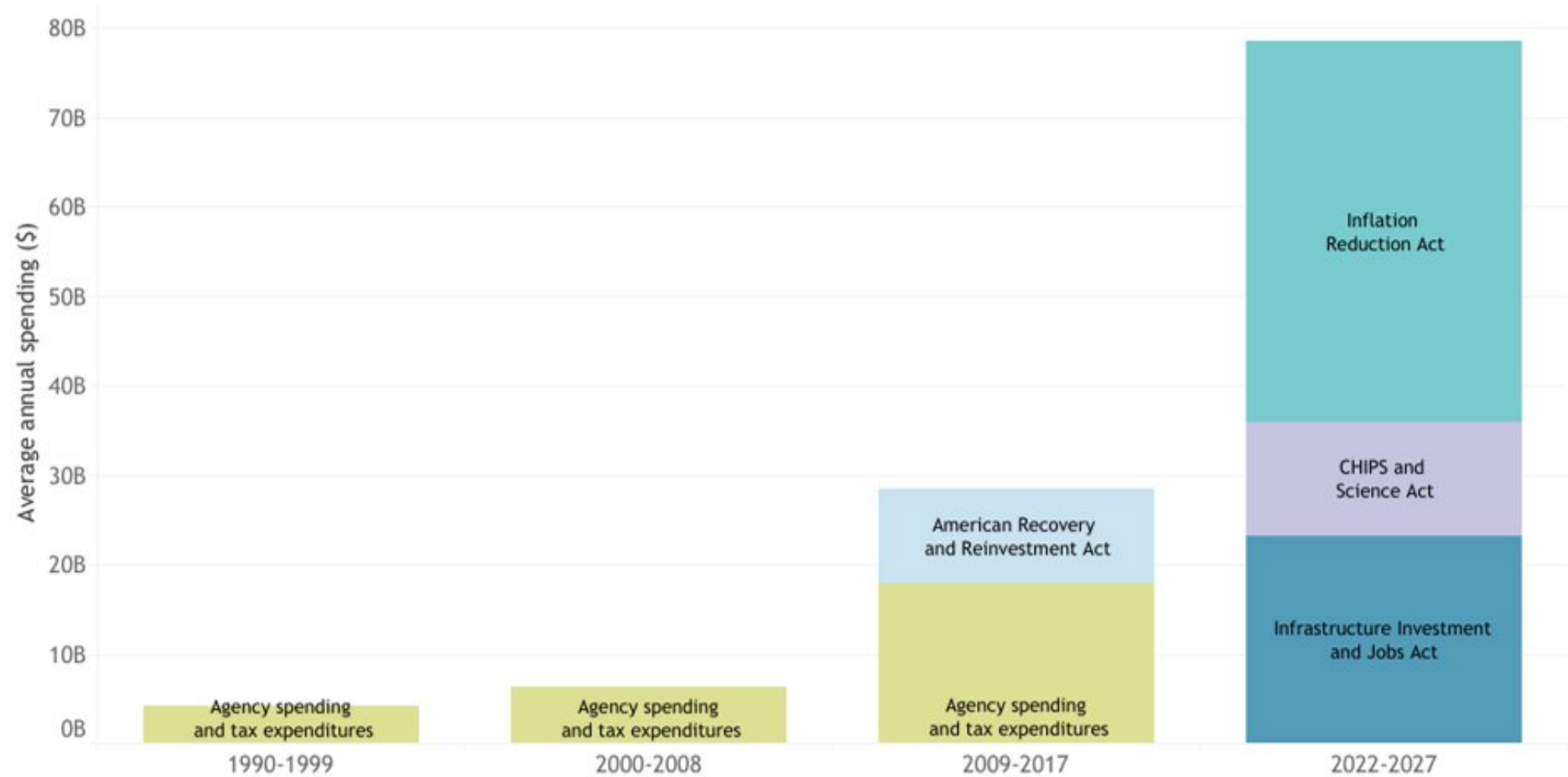
- Passed through a partisan budget reconciliation process
- Signed into law August 16, 2022
- Funds health and medical programs and energy and climate programs using tax measures and grants

BACKGROUND

Inflation Reduction Act

- Roughly **\$369 billion** is directed to energy and climate spending under the Inflation Reduction Act.
- \$90 billion was authorized for energy under the American Recovery and Reinvestment Act.
- Grant funding available will be restricted to specific programs and uses as described by the law.
- Details to be determined by federal agencies administering funds.

HISTORIC INVESTMENTS



BACKGROUND

Budget Reconciliation Process

- Quick facts:
 - Procedure that Congress can use to pass legislation related to budgetary issues, like taxing and spending.
 - Congress can use this procedure once each fiscal year.
 - Can pass through the House and the Senate with simple majority (no filibuster)
 - Text must fit within the “Byrd rule”
 - Focused on changing the level of revenues or spending
 - No revenue or spending that is “merely incidental” to non-budgetary provisions in the legislation
 - Less detailed than typical legislation

BACKGROUND

Reconciliation Legislation

- Provisions passed through reconciliation process may have been scaled down from previous drafts, removing language in order to comply with the Byrd Rule
- Federal agencies need to fill in gaps to implement
- At this time, we know what IRA provides; many details yet to come from federal agencies

Note: Congress could rescind some of this funding in a future budget cycle. We will monitor closely for our internal operation planning, particularly if the partisan balance of power within Congress should change following mid-term elections.

When will Oregon receive funds?

- After US DOE releases guidance and opens the application process, ODOE will need to prepare an application.
- Funds are not available until an award agreement is in place with the state.
- We don't know when applications will open.
- Two programs have language that suggests funds will be made available within two years from enactment.
 - See Inflation Reduction Act:
 - Section 50121(a)(2)(B) – “HOMES”
 - Section 50122(a)(2)(C)(I) – “HEEHRA”
 - Reallocation cannot occur *earlier than* two years after enactment.

REBATES, GRANTS, AND INVESTMENTS

INFLATION REDUCTION ACT: PROVISIONS RELATED TO BUILDINGS

Bill Section	Funding (Billions)	Description	Timeline
<i>Rebates and Direct Funding</i>			
50121	\$4.3	Home Energy Performance-Based, Whole-House Rebates (HOMES)	When available, for projects completed on or before 9/30/2031
50122	\$4.5	High-Efficiency Electric Home Rebate Program (HEEHRA)	When available through 9/30/2031
50123	\$0.2	State-based Home Energy Efficiency Contractor Training Grants	When available through 9/30/2031
50131	\$1.0	Building Energy Codes (Assistance for Latest and Zero Building Energy Code Adoption)	When available through 9/30/2029
60103	\$27.0	EPA Greenhouse Gas Reduction Fund	To distributing orgs. by 9/30/2024
<i>Tax Credits and Deductions</i>			
13301	--	Extension, Increase, and Modification of Nonbusiness Energy Property Credit (25C)	2023–2032 (under old rules in 2022)
13302	--	Residential Clean Energy Credit (25D)	2022-2034 (battery storage amendment begins in 2023)
13303	--	Energy Efficient Commercial Buildings Deduction (179D)	Changes effective in 2023
13304	--	Extension, Increase, and Modifications of New Energy Efficient Home Credit (45L)	2023–2032 (under old rules in 2022)

HOME ENERGY PERFORMANCE-BASED, WHOLE HOUSE REBATES – “HOMES”

\$4.3 Billion total funding

	Energy Savings Type		
	Modeled	Modeled (LMI)	Measured
Minimum Energy Savings Level 1	20%		15%
	\$2,000 per home/dwelling unit, or \$200,000 per building, up to 50% of project cost	\$4,000 per home/dwelling unit or \$200,000 per building, up to 80% of project cost	Scaled payment rate per kWh saved, or kWh-equivalent saved, equal to \$4,000 for a 20 percent reduction of energy use per single-family home or dwelling unit, as applicable, for the average single-family home or multifamily building in the State, up to 80% of project cost
Minimum Energy Savings Level 2	35%		
	\$4,000 per home/dwelling unit or \$400,000 per building, up to 50% of project cost	\$8,000 per home/dwelling unit or \$200,000 per building, up to 80% of project cost	

HOMES Program Implementation

- Funding distributed through State Energy Offices (ODOE)
- State Energy Offices to submit application with a plan to implement HOMES rebate program, including a plan to:
 - 1) Save energy based on calibrated energy model (BPI 2400 standard)
 - 2) Use open-source measurement and verification software to determine energy use before and after retrofit
 - 3) Value savings based on time, location, or GHG emissions
 - 4) Document quality and completion with certificate provided to homeowner detailing work performed and projected energy savings
 - 5) Provide contractor with \$200 rebate for each home located in a disadvantaged community

- State energy office may increase rebate amounts for LMI households
- State energy office may use up to 20 percent of grant amount for planning, administration, or technical assistance
- No “double dipping” across federal grants for the same upgrades
- “Disadvantaged Community” definition to be determined by US DOE
- Low- or Moderate-Income Household (LMI) means less than 80 percent of the median area
- For the larger HOMES Rebate for multifamily buildings, half of households must meet the Area Median Income (AMI) requirement.

HOMES Program Other Notes

HIGH-EFFICIENCY ELECTRIC HOME REBATES “HEEHRA”

\$4.275 Billion + \$0.225 billion for tribes

High-Efficiency Electric Home Rebate		
	Requirement	Rebate caps
Overall	Household <150% AMI	\$14,000
Overall % of measure cost		50% except 100% for households <80% AMI
Equipment		
Heat pumps	ENERGY STAR electric	\$8,000
Heat pump water heaters	ENERGY STAR electric	\$1,750
Stove, cooktop, range, or oven		\$840
Heat pump clothes dryer	ENERGY STAR electric	\$840
Components		
Insulation and air sealing	ENERGY STAR	\$1,600
Electric panels/load service centers		\$4,000
Electric wiring		\$2,500

+ up to \$500 incentive for installers/contractors

HEEHRA Program Implementation

- Funding distributed through State Energy Offices (ODOE) and through Tribes
- A State energy office or Indian Tribe seeking a grant under the program shall submit to the Secretary an application that includes an implementation plan that:
 - Verifies income eligibility of eligible entities seeking a rebate
 - Allows rebates for qualified electrification projects at the point of sale
 - Prevents “double-dipping” between federal grant programs for the same project
 - Meets other requirements determined by US DOE

- State energy office or Tribe may use up to 20 percent of grant amount for planning, administration, or technical assistance
- The term “low- or moderate-income household” means an individual or family the total annual income of which is less than 150 percent of the median income of the area in which the individual or family resides

*(*note: this is a different threshold than the HOMES program)*

HEEHRA Program Other Notes

- “Eligible entity” means—
 - (A) a low- or moderate-income household;
 - (B) an individual or entity that owns a multifamily building not less than 50 percent of the residents of which are low- or moderate-income households; and
 - (C) a governmental, commercial, or nonprofit entity carrying out a qualified electrification project on behalf of an entity described in (A) or (B).
- “Qualified electrification project” means a project that
 - Includes the purchase and installation of electric equipment

electric heat pump water heater	electric load service center
electric heat pump for space heating and cooling	insulation
electric stove, cooktop, range, or oven	air sealing and materials to improve ventilation
electric heat pump clothes dryer	electric wiring

- With respect to these appliances, the purchase of which is carried out:
 - As part of new construction
 - To replace a non-electric appliance; or
 - As a first-time purchase with respect to that appliance; and
- Is carried out at, or relating to, a single-family home or multifamily building

HEEHRA Program

Other Notes

STATE-BASED HOME ENERGY EFFICIENCY CONTRACTOR GRANTS

\$200 million

- Funding is to provide training and education to contractors involved in the installation of home energy efficiency and electrification improvements
- A State may use the funding
 - to reduce the cost of training contractor employees;
 - to provide testing and certification of contractors
 - to partner with nonprofit organizations to develop and implement a State program
- States may use up to 10 percent of funding for administrative expenses

BUILDING ENERGY CODES

ASSISTANCE FOR LATEST AND ZERO BUILDING ENERGY CODE ADOPTION

\$1 Billion total

Latest Building Energy Code - \$330 million

- Grants to assist states and units of local government that have authority to adopt building codes to adopt building code(s) that meet or exceed:
 - Residential buildings: 2021 International Energy Conservation Code
 - Commercial buildings: ANSI/ASHRAE/IES Standard 90.1–2019
- To implement a plan to achieve full compliance with these codes, including active training and enforcement and compliance rate measurement

Zero Energy Code - \$670 million

- Grants to assist adoption of building code(s) that meet or exceed:
 - Residential and Commercial Buildings: the zero energy provisions in the 2021 International Energy Conservation Code or an equivalent stretch code
- To implement a plan to achieve full compliance with these codes, including active training and enforcement and compliance rate measurement

GREENHOUSE GAS REDUCTION FUND

\$27 billion total

- Discretion for US EPA on implementation
- Not directly specified for buildings, but could be part of eventual projects funded
- Invest in clean energy technologies via green banking
- **Zero-emission technologies - \$7 billion**
- **General assistance grants – 11.97 billion**
- **Low-income and disadvantaged communities - \$8 billion**
 - Dedicated funding for assistance and investment that benefits low-income and disadvantaged communities

TAX CREDITS AND DEDUCTIONS

25C NON-BUSINESS ENERGY PROPERTY / ENERGY EFFICIENT HOME IMPROVEMENT CREDIT

Expands and extends
the non-business
energy property
credit through 2032

25C Tax Credit		
	Requirement	Rebate caps
Overall	Tax liability	\$1,200 per year (with exceptions)
Overall % of measure cost		30% (includes labor to install equipment but not for components)
Equipment		
Heat pumps	Highest CEE Tier	\$2,000
Heat pump water heaters	Highest CEE Tier	\$2,000
Central AC, water heater, furnace, or boiler	Highest CEE Tier	\$600
Biomass (wood) stove or boiler	> 75% HHV Efficiency	\$2,000
Components		
Insulation and air sealing	IECC (most recent version in effect 2 years prior)	\$1,200
Windows and skylights	Energy Star Most Efficient	\$600 total
Doors	Energy Star	\$500 total (\$250 per door)
Electric panels/load service centers	Meets NEC, load capacity not less than 200 amps, installed with qualifying energy efficiency improvement/property	\$600
Measures		
Energy Audit	IRS to specify	\$150

HHV=higher heating value. Highest Consortium for Energy Efficiency (CEE) Tier does not include an “advanced tier.” Oil furnaces and hot water boilers have additional phased-in eligibility criteria

25D RESIDENTIAL CLEAN ENERGY CREDIT

- Extends 2034 the Section 25D credit through 2034, which allows taxpayers to claim a credit for qualified residential energy efficient property purchases
- Credit to be phased out:
 - Through 2032: 30 percent
 - 2033: 26 percent
 - 2034: 22 percent
- Battery storage with capacity of at least 3 kWh is eligible for the credit

Extends credit through 2034, with phaseout

179D ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION

- Modifies, expands, and extends this deduction
- Minimum efficiency improvement reduced to 25 percent
- Base deduction \$0.50 per square foot, with increases for additional efficiency up to \$1.00 per square foot
- Bonus deduction \$2.50 per square foot (if prevailing wage and apprenticeship requirements are met), up to \$5.00 per square foot
- ASHRAE Standard 90.1 reference now based on the version in effect no later than four years prior to the placed-in-service date.
- Expansion allows deductions to be allocated to any non-profits, tribal properties, and REITs, and designers of buildings for non-tax paying entities

Extends, expands
deduction

45L NEW ENERGY EFFICIENT HOME CREDIT

- Provides contractors with tax credits for housing units built or remodeled to energy efficient specifications
- Bonus credit for multifamily units if construction meets prevailing wage requirements

Extends, expands
credit through
2032

Home Type	Efficiency Standard	Base Credit	Bonus Credit
Single-Family	Energy Star Single-Family New Homes Program	\$2,500	N/A
Single-Family	US DOE Zero Energy Ready Home Program	\$5,000	N/A
Manufactured Homes	Energy Star Manufactured Homes National Program	\$2,500	N/A
Multifamily Homes	Energy Star Manufactured National and Regional Program	\$500 / unit	\$2,500 / unit
Multifamily Homes – Zero-Energy Ready	DOE Zero Energy Ready Home Program	\$1,000 / unit	\$5,000 / unit

OTHER IRA PROVISIONS

- 48C Tax credits for manufacturers
- Advanced Industrial Facilities Deployment Program
- Additional funding for programs in Rural areas

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Thank You!

Questions / Comments?

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