

What Apartment Firms Need to Know About New Energy Tax & Funding Provisions

2023 CARH Annual Meeting & Legislative Conference

Exploring the Clean-Energy and Climate Change Tax Incentives

New Energy Efficient Home Credit (45L)

New Energy Efficient Home Credit extended through 2032 and modified:



- Credit applies to buildings of all sizes (not just 3 or fewer stories).
- Base \$500 credit for units that participate in ENERGY STAR Multifamily New Construction Program while meeting both national and regional requirements.
- Base \$1,000 credit for multifamily homes certified as zero energy ready under Department of Energy Zero Energy Ready Home Program.
- Credit multiplier – deduction increases if prevailing wage rules are satisfied.
- Special rule allows credit to be used in conjunction with Low-Income Housing Tax Credit.
- Non-transferable and non-refundable.

Energy Efficient Commercial Buildings Deduction (179D)

For buildings (4+ stories) placed in service beginning in 2023:

- \$0.50 per square foot tax deduction for buildings exceeding 25 percent of ASHRAE standard in effect three years before placed in service date.
- Deduction increased by \$0.02 per square foot for every percentage point of energy savings above 25 percent, up to \$1 per square foot.
- New multiplier deduction – deduction increases 5x for buildings meeting prevailing wage and apprenticeship rules.
- Retrofits involving lighting, HVAC, and building envelope costs eligible for deduction if energy savings against building's own baseline exceed 25 percent (increased deduction available for meeting prevailing wage/apprenticeship rules).
- Buildings must be at least five years old to qualify for retrofit deduction
- Special rule allows REITs to benefit from deduction

Electricity: Current Law vs Tech Neutral

Through 2024

Traditional PTC (Sec. 45)

- Wind
- Solar
- Geothermal

Traditional ITC (Sec. 48)

- Wind
- Solar
- Geothermal

2025

Until at least 2032

Clean Electricity PTC (new Sec. 45Y)

- zero-emissions facilities

Clean Electricity ITC (new Sec. 48E)

- zero-emissions facilities

- Credits will phase out beginning with the later of when the U.S. power sector emits 75% less carbon than 2022 levels, or 2032

Alternative Fuel Refueling Property Credit

Modifies the section 30C alternative fuel refueling property credit:



- Extends the credit to property placed in service prior to 2033.
- Removes the per-location limitation and increases the per item limitation to \$100,000.
- Base credit of 6% and a maximum credit of 30% if prevailing wage and apprenticeship requirements are met.
- *Property must be located in an eligible census tract, which is either (1) described in section 45D(c) (low-income communities for purposes of the New Market Tax Credit), or (2) is not in an urban area.*

Allows for transferability of credits for projects placed in service after 2022.