

STRENGTHEN AND MODERNIZE THE SEC. 25C NONBUSINESS ENERGY PROPERTY CREDIT

Homes account for about 20% of U.S. energy consumption. The 25C incentive in current law allows homeowner efficiency improvements with a 10% tax credit up to \$500 for the lifetime of the homeowner/taxpayer for the purchase of energy-efficient equipment or upgrades such as installation and replacement of insulation, duct work, and heating and air conditioning equipment. In its current form, the efficiency requirements are outdated, and the incentive is not strong enough to stimulate significant demand.

The 25C proposal under consideration as part of the Build Back Better plan would eliminate the lifetime limit for an annual credit, and generally expand 25C to \$1,200 but not exceeding 30% of the energy property value, and limit certain energy efficiency products and equipment to \$600. Energy efficiency investments in insulation is limited at 30% up to \$1,200. The proposal would also cap at 30% but make unlimited (not capped at \$1,200) the credit available for electric heat pumps, electric heat pump water heaters, and biomass stoves. Although the provisions now under consideration represent an improvement from current law, by not allowing the full value of the credit of 30% up to \$1,200 across all relevant energy property types, the proposal reduces national investments in energy efficiency and would lessen 25C's impact on carbon reductions.

We propose extending and expanding the 25C credit as follows:

- Eliminate the lifetime cap for an annual cap and expand the value of the credit to 30% up to \$1,200 without limitation on energy property type.
- Provide a credit of 30% up to at least \$1,200 for certain building envelope investments, such as insulation.
- Allow a credit for energy audits up to 30% and capped at \$150.
- Provide for inclusion of relevant labor costs.

The proposed provisions would have the following benefits:

- **Reduce carbon emissions generated in the residential built environment.** The residential built environment accounts for approximately [20% of total U.S. GHG emissions](#) (primarily for cooling, heating, and powering the household). Based on current policies, residential electric and gas energy efficiency will have the greatest customer driven impact on carbon reductions through 2030, [representing more than half \(56%\)](#) of relevant GHG emissions reductions during this period. A robust 25C would significantly accelerate GHG reduction outcomes.
- **Increase jobs and economic growth.** Energy efficiency is one of the largest employers in the clean energy sector, representing more than 2 million jobs covering [99.8% of all U.S. counties](#), equaling 7 times the number of jobs in wind and solar combined. Additionally, energy efficiency unionization rates are almost [double the national average](#), and salaries are [28% higher](#) than the national median. An expanded 25C would increase jobs in the sector and positively impact local economies.¹

¹ See an analysis based on a [more limited expansion of 25C](#) in the 116th Congress, projecting a gain of 195,700 jobs.