

# **CUB's Guide to the Inflation Reduction Act**



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**CITIZENS UTILITY BOARD**  
Fighting for Illinois Consumers

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# Introduction

This publication summarizes how Illinois consumers can benefit from the Inflation Reduction Act (IRA), federal legislation that was passed in 2022. IRA incentives will include:

- Tax credits for energy efficiency, weatherization, renewable energy, battery systems, and electric vehicles
- Rebates for electric appliances

These incentives, combined with state and utility company rebates, will make next year one of the best times in history for home energy improvements. The federal government and Illinois Environmental Protection Agency's Office of Energy will release more information closer to January 2023, when many incentives go into effect, but this guide is a good summary of the opportunities the IRA provides.

## Home Energy Efficiency and Weatherization Tax Credits

The American Council for an Energy-Efficient Economy estimates every dollar spent on efficiency saves ratepayers \$3 in energy costs. Make your investments in Energy Efficiency go further with these incentives from the IRA:

Starting in January 2023 and for each year for the next decade, all consumers can claim a tax credit for 30 percent of the cost of qualified projects that improve efficiency, up to \$1,200 annually. These incentives include:

- Up to \$150 for a home energy audit. These are in-depth audits that test your building's windows and insulation, sealing and other energy efficiency improvements. We recommend a home energy audit as the first step to help you determine your efficiency priorities.
- Up to \$500 for efficient exterior doors (\$250 per door)
- Up to \$600 for new efficient exterior windows or skylights
- Up to \$600 for qualifying highly efficient central air conditioners, electric panel upgrades and water heaters/water boilers.

There is an additional one-time \$2,000 tax credit available for upgrading your space or water heater that

does not count towards the annual \$1,200 limit. This credit can go towards an electric heat pump (either air source or geothermal), towards a heat pump water heater, or an efficient electric boiler.



*Replacing old, drafty windows is one way to improve your home's energy efficiency. Energy efficiency helps cut your costs and reduce stress on the power grid.*

# Clean Energy Tax Credits

The Inflation Reduction Act offers new tax credits for making improvements on how you heat and power your home, and how you travel.

**Solar:** Thanks to the IRA and Illinois' Climate and Equitable Jobs Act, there has never been a better time to invest in solar panels for your home. The IRA provides a 30% tax credit for your solar project. A rooftop solar project costs about \$19,000 depending on the size of your home, and thus the average tax credit will be about \$5,700. This incentive is in addition to the state incentives: Solar Renewable Energy Credits (SREC) and net metering. The SRECs often cover between 30-40% of the cost of installation so a conservative estimate would be an additional \$5,700 credit for the homeowner installing the panels. **Note:** SRECs come back to consumers in the form of a check from their Approved Vendor. Consumers do not have to pay taxes to receive the SREC incentive, but the incentive is considered taxable income. For income-eligible homeowners, you can install solar with no upfront costs through Illinois' Solar For All program. To learn more about solar incentives please visit [www.citizensutilityboard.org/clean-energy/](http://www.citizensutilityboard.org/clean-energy/).

**Geothermal Heat Pump:** Geothermal heat pumps are efficient electric systems that use underground pipes to heat and cool your home and water. These can save consumers 50% or more on their heating and cooling bills every year, and work well even in extreme weather conditions. The installation of geothermal heat pumps provides homeowners a 30% tax credit for the total cost of installation. This tax credit is uncapped and it can be spread over multiple years if desired. This credit will remain available until 2033. There is an additional \$2,000 home efficiency tax credit for heat pumps that will start in January 2023. Some electric utilities also offer incentives for consumers who install geothermal systems. For example, ComEd offers a rebate of up to \$6,000, depending upon the size of the system, for eligible customers. For more information on geothermal heat pumps please see [CUB's fact sheet](#).

**Electric Vehicles:** Individuals who make less than \$150,000 and couples who make less than \$300,000 annually are eligible to receive...

- A \$7,500 tax credit on new qualifying electric vehicles; or



*Installing rooftop solar is one option for increasing your clean energy usage.*

- A tax credit of \$4,000 or 30% of the vehicle's value (whichever is lower) for used electric vehicles.

To determine if a vehicle is eligible for this incentive, see the current [Department of Energy list of qualifying vehicles](#). This federal incentive can also be used with the [Illinois Electric Vehicle Rebate Program](#) that provides a \$4,000 rebate for all consumers who purchase a qualifying all-electric vehicle or \$1,500 for all-electric motorcycles.

Consumers will be able to get the IRA credits at the dealership when purchasing a car starting in 2024. Until then, consumers can receive partial credit (\$3,750) for domestically manufactured vehicles.

**Note:** If you put money down on a new EV before the IRA was signed, but are still waiting on delivery, you can qualify for the tax credit. See the [Department of Energy's list of eligible EV models](#), the [IRS' updated guidance for EV Buyers](#), and [CUB's EV Buyer's Handbook](#).

**Battery Storage:** Residential batteries with at least 3 kilowatt-hours (kWh) of capacity and business-owned batteries with at least 5 kWh of capacity are eligible for a 30% tax credit, regardless of how they are charged.



# Electrification Rebates

Natural gas goes through periodic price spikes, so gas appliances like furnaces, gas stoves, gas dryers, and gas water heaters hurt your wallet and contribute to climate change. The IRA includes \$263.6 million to help low and moderate-income Illinoisans transition away from natural gas over the next 10 years. The funding should be available to the state of Illinois starting in the spring of 2023. Here are the details:

Consumers with income below 80% of the Area Median Income (AMI) can claim a rebate covering the full cost of electric appliances, up to a \$14,000 cap. Consumers with income below 150% of the AMI can get 50% off the cost of appliances up to \$14,000. If you need more detail, look up your AMI here: [ami-lookup-tool.fanniemae.com/amilookuptool/](https://ami-lookup-tool.fanniemae.com/amilookuptool/)

The rebates include:

- Up to \$840 for an electric stove, cooktop, range, oven or clothes dryer.
- Up to \$1,600 for insulation, air sealing and ventilation. **Note:** After a comprehensive home energy audit, this is the second step recommended for reducing energy bills, and it's crucial to ensuring you don't purchase too large of a heating and cooling system.
- Up to \$1,750 for a heat pump water heater. Heat pump water heaters are efficient electric systems that can save you \$160 or more in energy costs every year.
- Up to \$2,500 for electric wiring. Replacing gas stoves and other gas appliances often require some electric wiring and this rebate covers 50% or 100%, depending on household income.
- Up to \$4,000 for upgrading electric panels. This is sometimes needed depending on the age or quality of your current panel and the home improvements required by electrification.
- Up to \$8,000 for air-source heat pumps. Air source heat pumps are an efficient electric system for cooling and heating your home that can save consumers between 20%-70% on those costs every

year. Technological improvements over the past decade mean these heat pumps can heat and cool your home even in extreme cold snaps and heat waves without the requirement for supplemental equipment.



*Induction stovetops are a cleaner electric alternative to natural gas stoves. Induction stoves can also boil water in about half the time of a conventional stove with more precise temperatures.*



*Heat Pumps are a great option for heating and cooling your home electrically to reduce dependence on natural gas.*

# Reminder: Combine IRA Incentives with Other Incentives

All of the IRA incentives can be combined with state incentives and rebates from your utility companies. Utilities often offer rebates, credits, and/or coupons for high-efficiency appliances, weatherization home improvements, smart thermostats, electrification improvements and free Home Energy Assessments. Such assessments are not as thorough as home energy audits, but the utility companies provide free and discounted equipment through these programs, such as LED light bulbs, water-pipe insulation and thermostats. Make sure to closely read utility company incentives as they may require pre-approval or have other requirements. Below are some resources to learn about utility efficiency programs and other Illinois-based clean energy programs.

**ComEd** — [www.comed.com/WaysToSave/ForYourHome/Pages/RebatesDiscounts.aspx](http://www.comed.com/WaysToSave/ForYourHome/Pages/RebatesDiscounts.aspx)

**MidAmerican** — [www.midamericanenergy.com/residential-efficiency-programs](http://www.midamericanenergy.com/residential-efficiency-programs)

**Ameren** — [www.amerenillinoissavings.com/residential/](http://www.amerenillinoissavings.com/residential/)

**Nicor Gas** — [www.nicorgas.com/residential/ways-to-save/rebates.html](http://www.nicorgas.com/residential/ways-to-save/rebates.html)

**Peoples Gas** — [www.peoplesgasdelivery.com/savings/rebates-residential](http://www.peoplesgasdelivery.com/savings/rebates-residential)

**North Shore Gas** — [www.northshoregasdelivery.com/savings/default](http://www.northshoregasdelivery.com/savings/default)

**Illinois Solar For All** — [www.illinoissfa.com/for-il-residents/](http://www.illinoissfa.com/for-il-residents/)

**Illinois Electric Vehicle Rebates** — [www2.illinois.gov/epa/topics/ceja/Pages/Electric-Vehicle-Rebates.aspx](http://www2.illinois.gov/epa/topics/ceja/Pages/Electric-Vehicle-Rebates.aspx)

**Illinois Home Weather Assistance Program** — [www.citizensutilityboard.org/wp-content/uploads/2017/01/20200702\\_Weatherization-IHWAP.pdf](http://www.citizensutilityboard.org/wp-content/uploads/2017/01/20200702_Weatherization-IHWAP.pdf)

# How the IRA can help you

These examples are meant to demonstrate how to use IRA incentives. The prices and savings will change based on your home's individual variables.

For these examples, blue font is for households with an income of less than 80% of AMI, green font is for households with less than 150% of AMI and black font is for all households regardless of income.

## Example #1— Home Energy Audit and New Energy Efficient Exterior Windows

Up-front Cost	\$450 for Home Energy Audit and \$3,500 for exterior window replacements
IRA Tax Credit	-\$135 for Home Energy Audit and -\$1,050 for window replacements
Nicor Gas Rebate	-\$225 Air Sealing Rebate
Total Cost to Homeowner	\$2,540
Yearly Estimated Savings	\$350 [Average utility bill (\$331 for Illinois consumers) X average energy savings.]
Years to Return on Investment	7.2 years

## Example #3— Installing a Geothermal Heat Pump

Up-front Cost	\$25,000 (Estimated. Total cost depends on many variables.)
IRA Tax Credit(s)	-\$7,500 Clean Energy Tax Credit -\$2,000 Home Efficiency Tax Credit
ComEd Rebate	-\$6,000
Total Cost to Homeowner	\$9,500
Yearly Estimated Savings	\$1,750 [Average utility bill (\$331 for Illinois consumers) X average energy savings.]
Years to Return on Investment	5.4 years

## Example #2— Improving Home Insulation

Up-front Cost	\$2,750 (Estimated national average cost for upgrading home insulation)
IRA Tax Credit	-\$1400 or -\$1375
Nicor Gas Rebate	-\$350 Wall Insulation Rebate
Total Cost to Homeowner	\$1,000 or \$1,025
Yearly Estimated Savings	\$436.92 [Average utility bill (\$331 for Illinois consumers) X average energy savings.]
Years to Return on Investment	2.3 years

## Example #4— Installing Solar Panels

Up-front Cost	\$19,000 (Estimated. Total cost depends on many variables.)
IRA Tax Credit	-\$5,700
Solar Renewable Energy Credits	-\$5,700
Total Cost to Homeowner	\$7,600
Yearly Estimated Savings	\$1,620 [Average utility bill (\$331 for Illinois consumers) X average energy savings.]
Years to Return on Investment	4.6 years

# Additional Resources

- Read CUB's Watchblog post on the IRA: [www.citizensutilityboard.org/blog/2022/08/03/cub-explainer-the-inflation-reduction-act/](http://www.citizensutilityboard.org/blog/2022/08/03/cub-explainer-the-inflation-reduction-act/)
- Check out Rewiring America's IRA savings calculator at [www.rewiringamerica.org/app/ira-calculator](http://www.rewiringamerica.org/app/ira-calculator). This tool can help you quantify potential savings through the IRA.
- Read CUB's Heat Pump fact sheet: [www.citizensutilityboard.org/wp-content/uploads/2021/08/Heat-Pumps.pdf](http://www.citizensutilityboard.org/wp-content/uploads/2021/08/Heat-Pumps.pdf)
- See the U.S. Department of Energy list of electric vehicles that currently qualify for the IRA rebate at [www.afdc.energy.gov/laws/inflation-reduction-act](http://www.afdc.energy.gov/laws/inflation-reduction-act).
- Listen to WBEZ Reset's conversation with CUB Executive Director David Kolata on the IRA at [www.wbez.org/stories/how-the-ira-can-help-electrify-your-home/73b1a048-f097-4358-829c-09cc8f4a4032](http://www.wbez.org/stories/how-the-ira-can-help-electrify-your-home/73b1a048-f097-4358-829c-09cc8f4a4032).

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