

Inflation Reduction Act

KEY PROVISIONS FOR SPFA MEMBERS

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Craig Brightup is CEO of The Brightup Group LLC, a government relations firm founded in 2009. Previously, he was NRCA's VP of Government Relations opening its Capitol Hill office in 1990, and before that headed congressional affairs for the Federal Trade Commission by appointment of President Ronald Reagan. In 2000, he was named to Fortune Small Business magazine's POWER 30 list of "influential insiders" in our Nation's Capital. From 2020-2021, he served as President of the Washington Industrial Roundtable, and in 2023 he was named Executive Director of the business-supported Jobs and Careers Coalition.

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SPFA Antitrust Policy

"Our policy is to comply with all federal, state and local laws, including the antitrust laws. It is expected that all company member representatives involved in SPFA activities and SPFA staff will be sensitive to the unique legal issues involving trade associations and, accordingly, will take all measures necessary to comply with U.S. antitrust laws and similar foreign competition laws."

It is a per se violation of the federal antitrust laws for competitors to agree on prices, limitation of supplies, allocation of customers or territory, or boycotts. "Per se" means that no legal defense can be used to mitigate this automatic violation.

Even an agreement by competitors that is for the good of society and our industry may be a violation of the antitrust laws if it could affect competition.

If a topic of antitrust concern is raised at any time during a meeting, note your objection for the record. If the topic continues to be discussed, you should leave the room immediately and contact SPFA's general counsel and your company's attorney for further guidance.

Ensure that every SPFA meeting, where members are present, has an agenda, the agenda is followed, and minutes are kept by SPFA staff of the proceedings.

Understanding and acting on the requirements of U.S. and foreign antitrust and competition laws sometimes can be difficult. If you have a question about the propriety of activities or discussions in SPFA, you are encouraged immediately to contact your company's legal counsel and SPFA management.

Spanish Translation Disclaimer

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IRA Basics

On July 27, 2022, Sen. Joe Manchin (D-WV) agreed to a “skinny” Build Back Better bill, the Inflation Reduction Act

The Inflation Reduction Act was a reconciliation bill requiring no Republican votes to pass

The IRA was and is a “green new deal” bill with revenue raisers

On August 16, 2022, President Biden signed the IRA into law

IRA Score over Ten Years

Total Revenue – \$739 billion

- Prescription drug pricing reform/Medicare: \$288 B
- 15% Corporate Minimum Tax: \$313 B
- Tax Changes for Carried Interest: \$14 B
- Increased IRS Tax Enforcement: \$124 B
 - \$80 B additional funding for the IRS to close “tax gap”

Total Spending – \$433 B

- Affordable Care Act Extension: \$64 B
- Energy Security and Climate Change: \$369 B

Energy Security and Climate Change

Green energy/climate change/decarbonization programs

- Programs for “environmental justice”

Home energy rebate program for low-income Americans

- \$9 B to states; up to \$14,000 for electric stoves, heat pumps, etc.
- Not the DOE’s Weatherization Assistance Program (IIJA)

Electric Vehicle Tax Credit of up to \$7,500

Building Energy Efficiency Tax Incentives

- 25C – Energy-Efficiency Home Improvement Credit
- 45L – Energy Efficient New Home Credit
- 179D – Energy Efficient Commercial Buildings Deduction

Energy-Efficient Home Improvement Credit

IRC Sec. 25C effective to Jan. 1, 2033

30% of sum for qualified energy-efficiency improvements

- \$1,200 limit for any taxpayer in any year
- \$600 limit for any qualified item
 - Insulation and air sealing
 - No longer includes roofing

Taxpayers claimed \$8 B for home upgrades in 2023

- More than twice government projections
- Includes spending for residential solar (25D)

Energy Efficient New Home Tax Credit

IRC Sec. 45L is effective to Jan. 1, 2033

A tax credit of \$2,500 is provided for single family homes that meet new Energy Star programs.

A tax credit of \$5,000 is provided for each home meeting requirements of the Dept. of Energy's Zero Energy Ready Home Program. *But to claim bonus tax credit rate for multifamily units, taxpayers must satisfy prevailing wage requirements for the duration of construction of such units.*

Home Type and 45L

Single Family Home – \$2,500 per dwelling unit that meets:

- Energy Star New Homes National Program 3.1, if acquired by Dec. 31, 2024
- Energy Star New Homes National Program 3.2, if acquired after Jan. 1, 2025
- Energy Star program in effect on Jan. 1 of two calendar years prior to date such dwelling unit is acquired for acquisitions at later dates

Single Family Home – \$5,000 per dwelling that meets Zero Energy Homes Program in effect Jan. 1, 2023, or successor programs.

Manufactured Single Family Home – \$2,500 per dwelling unit that meets the requirements of the Energy Star Manufactured Home National Program requirements in effect Jan. 1, 2023, or Jan. 1 of two calendar years prior to the date such dwelling unit is acquired.

Home Type and 45L, continued

Manufactured Single Family Home – \$5,000 per dwelling that meets the Zero Energy Ready Homes (ZEHR) Program in effect Jan. 1, 2023, or successor programs.

Multifamily Homes – \$500 per dwelling unit for meeting Energy Star Multifamily New Construction (MFNC) requirements in effect Jan. 1, 2023, or Jan. 1 of three calendar years prior to the date such dwelling unit is acquired, whichever is later, and \$1,000 per unit certified as a zero-energy ready home under the applicable ZERH Program.

Multifamily Homes – if prevailing wage requirements are met, \$2,500 per unit meeting certain Energy Star MFNC requirements and \$5,000 per unit certified as a zero-energy ready home.

Energy-Efficient Commercial Buildings Deduction

IRC Sec. 179D is permanent per Consolidated Appropriations Act, 2021

Base deduction is 50¢ per sq. ft. increased 2¢ for each percentage point by which total annual building energy costs are reduced more than 25%, not to exceed \$1 per sq. ft.

Bonus deduction is \$2.50 per sq. ft. increased 10¢ for each percentage point by which total annual building energy costs are reduced more than 25% against reference standard, not to exceed \$5 per sq. ft.

Retrofit deduction for energy-efficient lighting, HVAC, envelope costs placed into service per qualified retrofit plan. Deduction determined by reduction of building energy usage intensity (EUI) upon completion of retrofit, equal to 50¢ per sq. ft. increased 20¢ for each percentage point by which the reduction in EUI exceed 25%, not to exceed \$1 per sq. ft.

Retrofit bonus deduction same as new building bonus deduction above.

Energy-Efficient Commercial Buildings Deduction, continued

For 179D bonus deductions, prevailing wage standard and requirements to use employees enrolled in registered apprenticeships must be met.

- “Good Faith Effort” for registered apprenticeship workers

Deductions in 179D are indexed for inflation so for 2025:

- 50¢ is now 58¢ increased by 2¢ not to exceed \$1.16
- \$2.50 is now \$2.90 increased by 12¢ not to exceed \$5.81

Reference standard for 179D is ASHRAE 90.1-2019 for property placed in service after Dec. 31, 2026.

- ASHRAE 90.1-2007 for property placed in service before Dec. 31, 2026

Questions?

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See you on the trade show floor!