

[16] Residential Clean Energy Credit: The Inflation Reduction Act, which was signed into law on August 16, 2022, renamed the former Residential Energy Efficient Property Credit so that it's now called the Residential Clean Energy Credit. But, more importantly, the credit amount was increased starting with the 2022 tax year.

Before the Inflation Reduction Act, the credit was generally worth 26% of the cost to install qualifying electric, water heating, or temperature control systems for your home that use solar, wind, geothermal, biomass or fuel cell power. The credit percentage was also scheduled to drop to 23% in 2023 and then expire in 2024.

Now, the credit is increased to 30% starting in 2022. It eventually drops to 26% for 2033 and 22% for 2034, before the credit expires in 2035. In addition, it doesn't apply to biomass furnaces and water heaters anymore. However, starting in 2023, it will apply to battery storage technology with a capacity of at least three kilowatt hours.