



Dear valued client,

On August 16, 2022, President Biden signed the Inflation Reduction Act. Below is a brief summary of the provisions that could impact you:

- Funding for the IRS has been increased by \$80 billion over the next 10 years. Audit rates will likely increase as a result.
- The health insurance tax credit expansion was extended through 2025. This expansion makes taxpayers with income over 400% of the federal poverty level potentially eligible for health insurance credits. Health insurance must be purchased through the Marketplace (healthcare.gov) to be eligible for these credits.
- The following energy-efficient improvement tax credits are available effective January 1, 2023:
  - \$250 per exterior door for a maximum of \$500 per year
  - \$600 per year for exterior windows and skylights, central air conditioners, electric panels, and furnaces or boilers
  - \$150 per year for home energy assessments

The energy credits listed above are subject to a total limit of \$1,200 per year.

In addition, a credit of \$2,000 per year is available for heat pumps, water heaters, and biomass stoves and boilers.

- Effective January 1, 2023, the credit for solar electric and water heating property, geothermal heat pump property, and small wind energy property is increased to 30% of the cost of the property purchased through 2032.
- Effective January 1, 2023, the Clean Vehicle Credit is:
  - Up to \$7,500 per new electric vehicle (Not available for taxpayers with Adjusted Gross Income over \$150,000 Single, \$225,000 Head of Household, or \$300,000 Married)
  - Up to \$4,000 per used electric vehicle (Not available for taxpayers with Adjusted Gross Income over \$75,000 Single, \$112,500 Head of Household, or \$150,000 Married)

Vehicles must cost less than \$80,000 and must be assembled in North America to qualify.

- High-Efficiency Electric Home Rebates have been added for families whose total income is less than 150% of the median income for the area. These rebates are applied at purchase, rather than as a credit on the tax return, and can be up to \$14,000 in total. Rebates apply to a wide number of improvements, such as heat pumps, insulation, and electric wiring.

For more detailed information on the tax credits enacted, the White House has created an interactive website to help you understand which products will qualify for the credits and which years the products must be purchased in. To find this website, go to: [www.whitehouse.gov/cleanenergy/](http://www.whitehouse.gov/cleanenergy/).

Sincerely,

*Your Cornerstone CPA Group Team*