



TaxNewsFlash

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Proposed regulations and Rev. Proc. 2024-31: Guidance on energy efficient home improvement credit under section 25C

The U.S. Treasury Department and IRS today released [proposed regulations](#) (REG-118264-23) regarding the energy efficient home improvement credit under section 25C, as amended by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” (IRA)).

The proposed regulations would provide general guidance on the section 25C credit, including what property qualifies for the section 25C credit and what limitations apply. The proposed regulations would also provide a safe harbor for certain property that is installed in conjunction with, and enables the installation and use of, other property.

The proposed regulations would also provide rules for manufacturers of specified property to register to be qualified manufacturers (QMs) and satisfy certain other requirements, and rules for taxpayers to calculate the credit.

The proposed regulations are proposed to apply to tax years ending after the date the regulations are finalized, but taxpayers may rely on the proposed regulations for specified property placed in service prior to that date provided they follow the proposed regulations in their entirety, and in a consistent manner.

Comments on the proposed regulations, as well as requests to speak and outlines for topics to be discussed at the public hearing (scheduled for January 21, 2025, at 10:00 AM ET), are due by December 24, 2024. If no outlines are received by that date, the public hearing will be cancelled.

Rev. Proc. 2024-31

Treasury and the IRS today also issued [Rev. Proc. 2024-31](#) providing procedures and requirements that a manufacturer of specified property must follow to be treated as a qualified manufacturer (QM) under section 25C(h).

Rev. Proc. 2024-31 provides that to become a QM, a manufacturer must:

- Register and enter into an agreement with the IRS
- Assign a qualified product identification number (PIN) unique to each item of specified property

- Label such items with PINs
- Make periodic reports to the IRS of PINs assigned

Taxpayers can use the IRS energy credits online portal (IRS ECO) to register and provide information to the IRS for filing purposes. An individual representative of the manufacturer who is authorized to bind the manufacturer in matters involving agreements with the IRS (authorized representative) must register through IRS ECO and provide the required information to complete the manufacturer's application and enter into an agreement on the manufacturer's behalf.

Background

As explained in the related IRS release—[IR-2024-280](#) (October 24, 2024)—for property placed in service beginning in 2023, a taxpayer may take a credit under equal to 30% of the total amount paid for certain energy efficient products or for a home energy audit.

The credit is limited to certain amounts, per taxpayer and per tax year. A taxpayer may claim a total credit of up to \$3,200, with a general total limit of \$1,200, and a separate total limit of \$2,000 for electric or natural gas heat pump water heaters, electric or natural gas heat pumps, and biomass stoves or boilers that meet certain requirements.

The \$1,200 general limit also includes additional limitations specific to certain types of property that meet the requirements:

- \$600 for any item of qualified energy property
- \$600 in total for exterior windows and skylights
- \$250 for an exterior door
- \$600 in total for exterior doors
- Home energy audits are limited to \$150

Beginning in 2025, for each item of specified property placed in service, no credit will be allowed unless the item was produced by a QM and the taxpayer includes the PIN for the item on the taxpayer's tax return.

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