



TaxNewsFlash

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IRS updates FAQs for energy efficient home improvement and residential clean energy property credits

The IRS today issued updated “frequently asked questions” (FAQs) in [Fact Sheet 2025-1](#) addressing the federal income tax treatment of amounts paid for the purchase of energy efficient property and improvements.

The updated FAQs supersede earlier FAQs that were posted in [Fact Sheet 2024-15](#) in April 2024. Read [TaxNewsFlash](#)

A related IRS release—[IR-2025-17](#) (January 17, 2025)—explains that the updates to the FAQs contain substantial changes within each section of the energy efficient home improvement and residential clean energy property credits.

Background

The IRS on April 5, 2024, issued Announcement 2024-19 addressing the federal income tax treatment of amounts paid for the purchase of energy efficient property and improvements. Read [TaxNewsFlash](#)

Generally, taxpayers who receive rebates for the purchase of energy efficient homes will not include the value of those rebates as income on their tax returns, however they will need to reduce the basis of the property when they sell it by the amount of the rebate.

The “Inflation Reduction Act of 2022” (IRA) describes performance-based incentives and electrification product subsidies as “rebates” in its statutory language.

Announcement 2024-19 provides that amounts received from the Department of Energy (DOE) home energy rebate programs funded through the IRA will be treated as a reduction in the purchase price or cost of property for eligible upgrades and projects. As a result, the consumer that receives an IRA rebate will not be required to report the value of the rebate as income.

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