

Building a Better Future: Unlocking Community Rebates and Incentives



Join BE-Ex Kansas City and the Building Performance Partnership for the next event in the Building a Better Future series – Unlocking Community Rebates and Incentives. Our panelists will provide a comprehensive overview of the federal tax incentives and rebate programs geared toward underserved populations, with an emphasis on Justice40.

Opening Remarks

Richard C. Yancey, Executive Director, Building Energy Exchange

Moderator

Ashley Sadowski, Executive Director, Building Energy Exchange Kansas City

Panelists

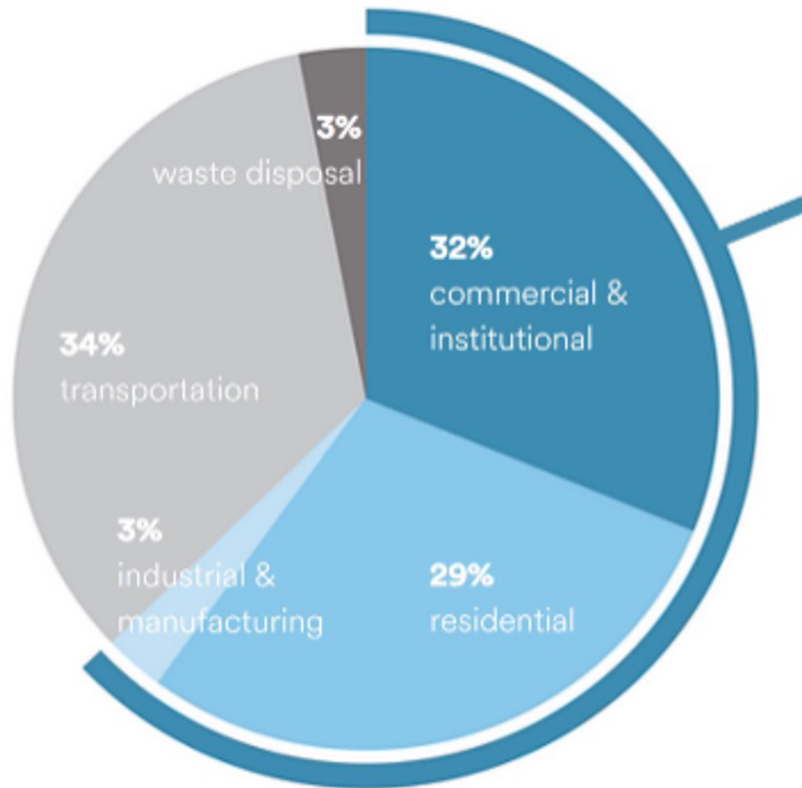
Jamal Lewis, Director of Policy, Partnerships & Equitable Electrification, Rewiring America

Marty Hyman, Senior Energy Advisor, Missouri Department of Natural Resources

Sylvia Chi, Senior Strategist, Just Solutions Collective

October 12, 2023 - Virtual
12:00 - 1:30pm CT
1:00 - 2:30pm ET

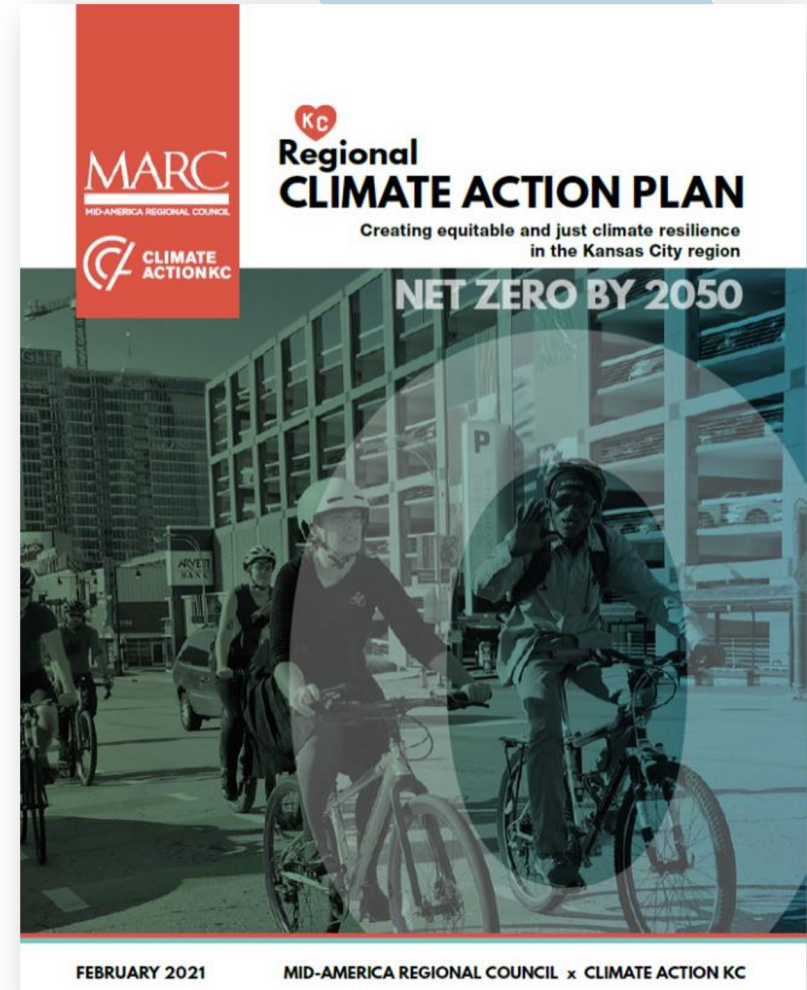
1.5 LU



63%

of Kansas City Metro Area's Greenhouse Gas Emissions are **BUILDINGS**

Greenhouse Gas Inventory of Metropolitan Kansas City, MARC, 2021





- Educate Building Owners + Real Estate Professionals
- Rising Trades Contractor Accelerator
 - Support Growth of MWDBE Firms
 - 40 hours back-office support
 - Business Coaching
 - Clean Energy Growth Plan
- East Side Retrofit Accelerator



tech primer
Roof Insulation
 High-performance roof insulation

tech primer
Enhanced Ventilation with Energy Recovery Ventilators (ERV)
 Mechanical ventilation optimization for improved comfort and savings.

tech primer
CHG Reviver
 Smart Energy Use Improvements

Learn more at: beexkc.org

Designing + Building to 2021 IECC

April 10th: Gear Up for 2021 IECC Kick-Off Event

May 3rd: Commercial Energy Code Basics*

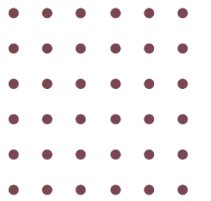
May 17th: Understanding the Building Science*

May 31st: IECC vs. ASHRAE*

June 14th: ComCheck + Advanced Technology*

***1.5 AIA Credits Each**
 May 3rd-June 14th are virtual events, April 10th is in-person

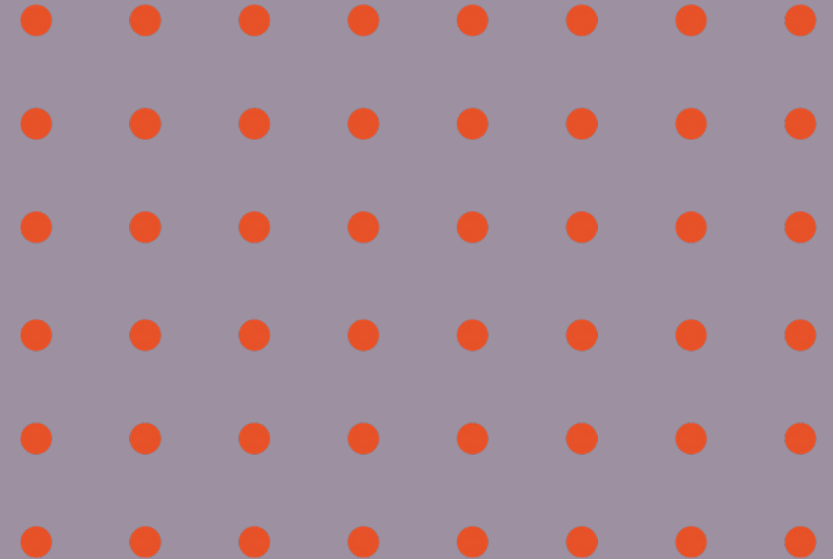
**Building a Better Future:
Unlocking Community Rebates
and Incentives
Federal Tax Incentives**



About Just Solutions

Just Solutions identifies and promotes just solutions to climate change from Black, Latinx, Asian, Indigenous, and Frontline diasporas.

- We are broadening and deepening the understanding of
- equitable and effective policies and projects, and are
- fostering a national community of peer learning for Black, Latinx, Asian, Indigenous, and frontline community-based organizations to elevate their solutions and replicate them across the country.



Tax Incentives 101

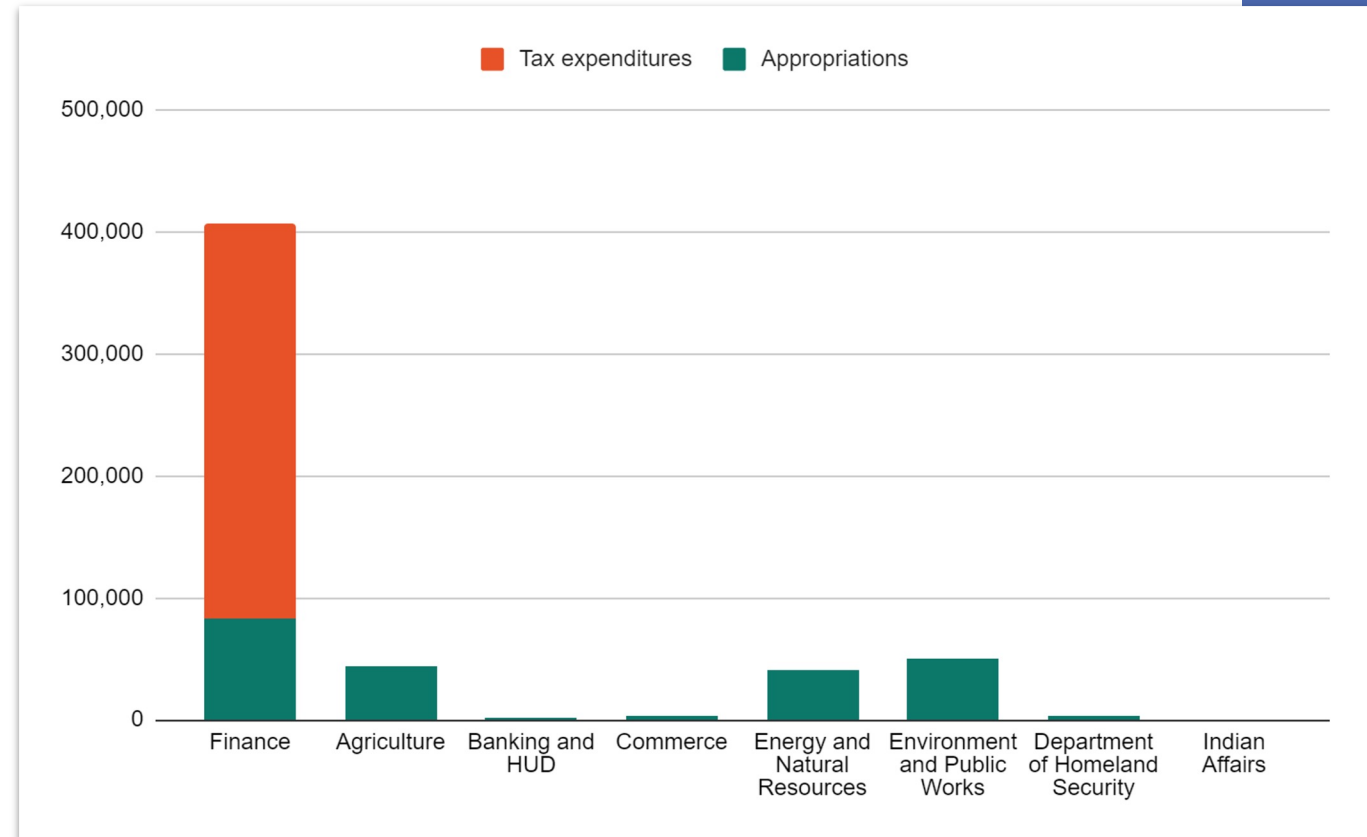
Tax Credits and Deductions

- Both reduce amount of income taxes owed, in different ways
- Both are used by both individuals/households and businesses
- **Deductions**
 - Reduces taxpayer's taxable income by a certain amount
 - Determines applicable tax bracket (higher tax bracket, higher tax rate)
- **Tax Credits**
 - Credit against a taxpayer's tax liability
 - Amount of credit varies (specific \$ amount, based on %)
 - Most energy tax credits are "as-of-right": non-competitive, claimed on tax return
 - Most energy tax credits are **uncapped**
- **Tax Expenditures** = revenue losses attributable to provisions of tax laws

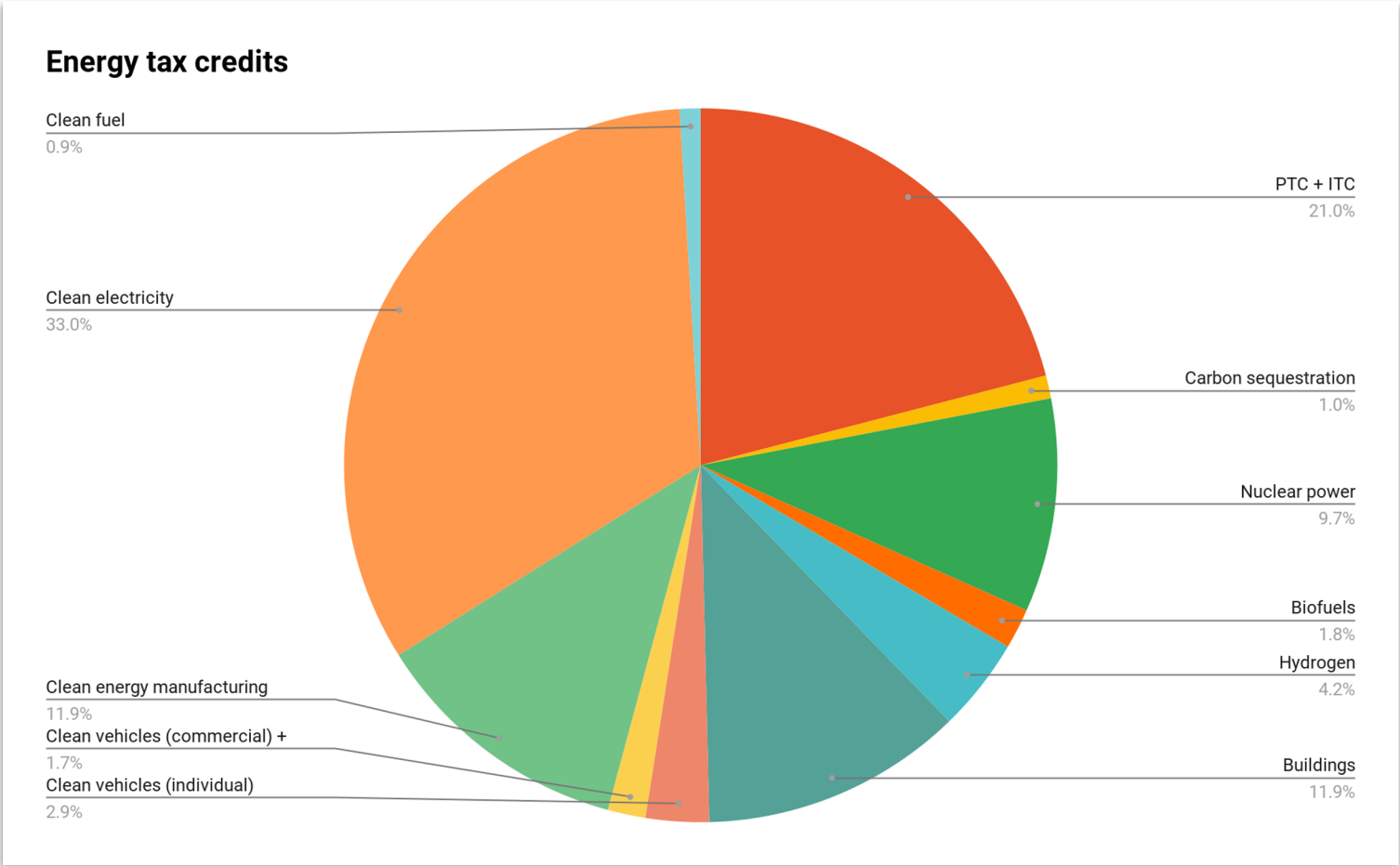
IRA Overview

What's in the Inflation Reduction Act?

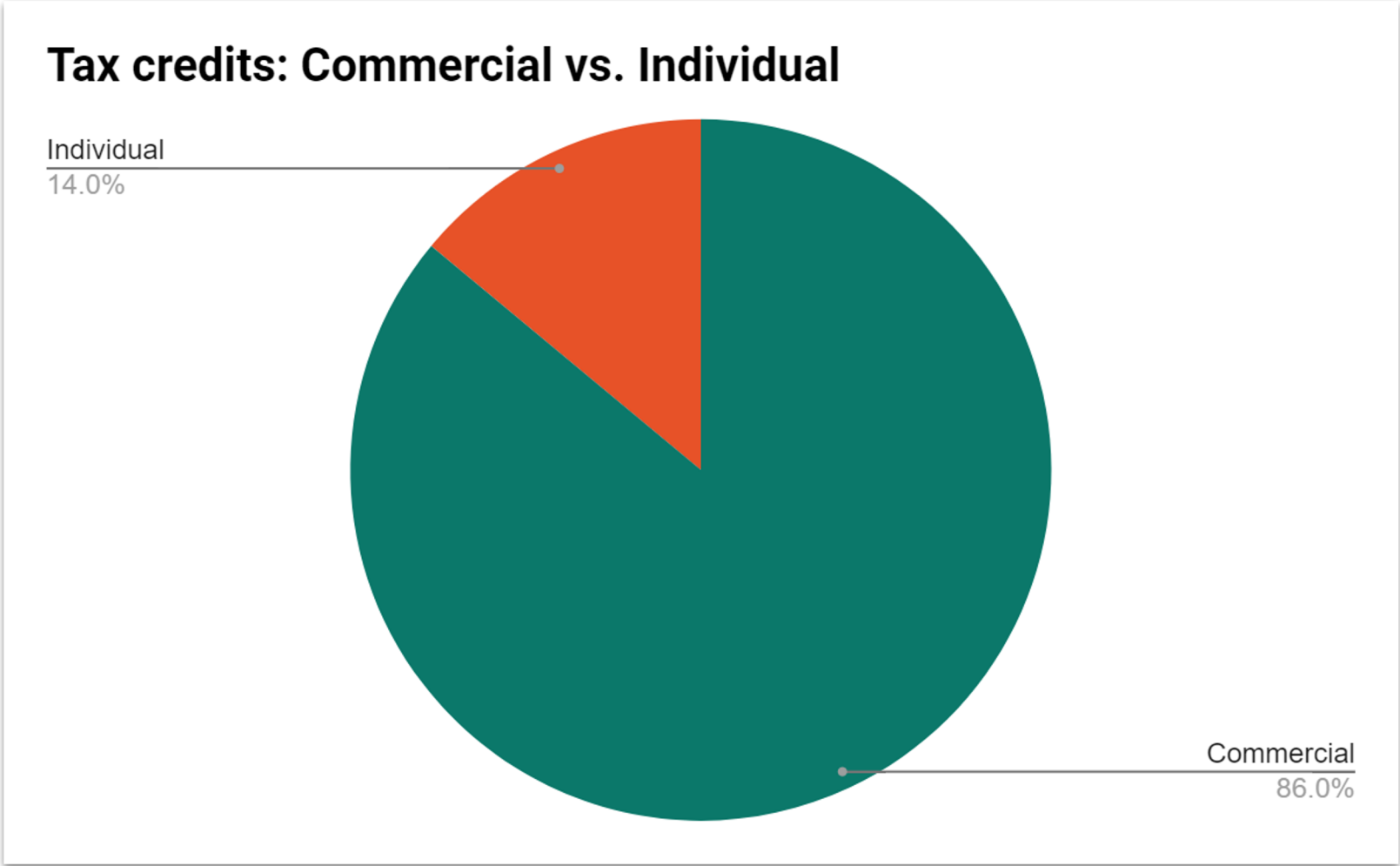
- **\$324 billion in tax expenditures**
- **\$228 billion in appropriations**
- **For energy/environment only:**
 - \$271 billion in tax expenditures
 - \$145 billion in appropriations
- Third-party estimates for tax expenditures range up to **\$1.5 trillion** over next decade



IRA tax credits are primarily for electricity



IRA tax credits are primarily for commercial use



Individual tax credits primarily benefit property-owners, the rich, and white households

- 36% of households rent and can't use credits for improvements with energy and environmental benefits
- 40% of households pay no federal income tax
 - **No tax liability, no credit**
- Tax expenditures disproportionately benefit white households
 - 92% of preferential rates for capital gains/dividends
 - 91% of deductibility of charitable contributions
 - 90% of deduction for pass-through income
- Residential energy (25C) credits
 - 60% → top 20%
 - 11% → bottom 60%
- Plug-in EV (30D) credits
 - 89% → top 20%
 - 1% → bottom 60%

	All	White	Hispanic	Black	Other
Total Number of Families (Millions)	186	124	28	20	14
Percent Distribution of Families	100	67	15	11	8
Percent Distribution of Total Benefits					
Exclusion of employer contributions for medical insurance	100	82	9	5	3
Preferential rates for capital gains and dividends	100	92	3	2	4
Child credit (including outlays)	100	66	22	9	3
Deductibility of charitable contributions	100	91	3	3	3
Earned income tax credit (including outlays)	100	49	28	19	4
Allow 20-percent deduction to qualified business income	100	90	5	2	4
Premium assistance tax credit (including outlays)	100	66	18	8	8
Deductibility of mortgage interest	100	84	7	4	5
Average Dollar Benefit per Family					
Exclusion of employer contributions for medical insurance	1207	1495	739	558	533
Preferential rates for capital gains and dividends	784	1086	131	124	370
Child credit (including outlays)	606	605	867	491	256
Deductibility of charitable contributions	379	516	87	105	150
Earned income tax credit (including outlays)	360	264	662	661	188
Allow 20-percent deduction to qualified business income	304	410	91	49	155
Premium assistance tax credit (including outlays)	195	195	228	147	200
Deductibility of mortgage interest	168	213	77	63	103

Source: Cronin, DeFilippes, and Fisher (2023).

Table 2: Distributional Effects of Selected Tax Credits

	Percent of Credit Received by Income Category (in thousands)						Concentration Index
	\$0-\$10	\$10-\$20	\$20-\$40	\$40-\$75	\$75-\$200	\$200+	
Panel A. Clean Energy Tax Credits							
Residential Energy Credits	0%	1%	10%	28%	48%	14%	0.606
Alternative Motor Vehicle Credit	0%	1%	9%	32%	47%	11%	0.584
Plug-in Electric Drive Vehicle Credit	0%	0%	1%	10%	54%	35%	0.801
Panel B. Other Major Tax Credits							
Earned Income Tax Credit	18%	49%	32%	1%	0%	0%	-0.415
Making Work Pay Credit	7%	14%	25%	28%	26%	0%	0.163
Child Tax Credit	2%	13%	31%	31%	23%	0%	0.185
First-time Home Buyer Credit	7%	6%	23%	40%	24%	1%	0.222
Foreign Tax Credit	0%	0%	1%	2%	9%	88%	0.954

Note: This table was constructed by the authors using U.S. Department of the Treasury, Internal Revenue Service, "Statistics of Income, Individual Tax Returns," 2005-2012. The first five income categories are approximate quintiles (18%, 17%, 24%, 21%, 18%), and 3% of tax returns fall in the last category. Residential energy credits includes both the NEPC and the REEPC. The Earned Income Tax Credit, Making Work Pay Credit, Child Tax Credit, and the First-Time Home Buyer Credit are all refundable, while the Foreign Tax Credit is not. See Appendix A for details.

Justice40

What about Justice40?

- What is **Justice40**?
 - Goal: 40% of “overall benefits flow to disadvantaged communities”
 - Established by Executive Order 14008
 - Investment areas:
 - Clean energy and energy efficiency
 - Clean transit
 - Affordable and sustainable housing
 - Training and workforce development
 - Remediation and reduction of legacy pollution
 - Development of critical clean water infrastructure
 - OMB guidance: “covered programs” are Federal programs that make covered investment benefits in the above areas
 - Includes “Federal financial assistance”
- **None of the IRA tax credits have been named “covered programs”**

Tax Incentives Overview

IRA tax incentives by category

Electricity & Reducing GHGs

- § 45 Production Tax Credit and § 48 Investment Tax Credit
 - PTC = by kwh generated; ITC = percent of cost
 - Qualifying technologies are listed: solar, wind, storage, geothermal
 - Also: biomass, waste incinerators, gas-fired combined heat and power
 - Transition to “tech neutral” versions starting 2025
 - GHG emission rate ≤ 0 (excluding any CO₂ captured and used/stored)
- Others: § 45Q (per metric ton of CO used/stored); § 45U (per kwh generated by existing nuclear); etc.

Fuels

- §§ 40, 40A, 40B: Biodiesel, 2nd Generation Biofuels, Sustainable Aviation Fuel (\$/gallon produced)
- § 45V: Hydrogen Production Tax Credit (\$/kg Qualified Clean Hydrogen produced)

Vehicles

- §§ 30D, 25E: Up to \$7500 for new EVs, \$4000 for used EVs; income caps apply

Energy Manufacturing

- § 48C: Advanced Manufacturing Production Credit: \$ per energy component (ex: \$0.07 × capacity of module (per dc watt))

IRA tax credits for buildings - individuals/households

- **§ 25C Energy Efficient Home Improvement Credit**

- 30% of qualified energy efficiency improvements
 - Annual cap of \$3200 (\$2000 for qualified heat pumps, heat pump water heaters, biomass stoves/boilers; \$1200 for other improvements, with caps for energy audits and certain items)
 - Electrical components (panelboards, branch circuits, etc.) including labor
 - Building envelope: Air sealing and insulation, windows/doors
- Existing homes (not new construction)
- For homeowners (not landlords)

- **§ 25D Residential Clean Energy Credit**

- 30% of qualified expenditures
 - Solar PV, small wind, geothermal, battery storage
 - Phasedown in % starting 2033
- Existing homes or new construction
- For homeowners (not landlords)

IRA tax credits for buildings - commercial

- **§ 45L Energy Efficient Home Credit**

- For developers and homebuilders
- Energy Star Residential New Construction or Manufactured New Home: \$2500/unit (\$5000 if zero-energy ready)
- Energy Star Multifamily New Construction: \$500/unit (\$1000 if Zero-Energy Ready)
 - If prevailing wage requirement met: \$2500/unit (\$5000 if Zero-Energy Ready)
- Credit does not affect basis for LIHTC purposes

IRA tax deductions for buildings

- **§ 179D Energy Efficient Commercial Building Deduction**

- Up to \$5 per square foot placed in service in taxable year
 - Wage/apprenticeship 5x multiplier applies
- Building envelope, HVAC/hot water systems, interior lighting
- Required reduction of energy use intensity (ASHRAE/IES Standard 90.1)
- For newly constructed or renovated commercial buildings
 - Including multifamily rentals of at least 4 stories
- If owned by tax-exempt entity (nonprofits, governments), can allocate deduction “to the person primarily responsible for designing the property”
- *Guidance forthcoming*

§48(e) Low-Income Communities Bonus Credit

- Builds on §48 Investment Tax Credit
- For certain small (<5 MW) wind/solar projects:
 - Built in low-income or Tribal communities (+10%); or
 - Economically benefit low-income households (+20%)
- Competitive and capped (1.8 GW annual capacity limitation)

LICBC Project Categories

#	Category	Allocation	Bonus
1	Located in Low-Income Community : Census tracts with <ul style="list-style-type: none"> • Median family income \leq 80% AMI; or • Poverty rate of \geq20% 	700 MW <ul style="list-style-type: none"> • 490 MW: residential behind-the-meter • 210 MW: non-residential and front-of-meter 	+10%
2	Located on Tribal Land	200 MW	+10%
3	Low-Income Residential Building Project <ul style="list-style-type: none"> • Part of a low-income residential building project <ul style="list-style-type: none"> ◦ Covered affordable housing programs • Equitably allocates financial benefits of the project among residents <ul style="list-style-type: none"> ◦ 50% of net energy savings 	200 MW	+20%
4	Low-Income Economic Benefit Project (Community solar) <ul style="list-style-type: none"> • \geq50% of financial benefits of electricity produced must be provided to households with income $<$200% FPL <u>or</u> 80% AMI 	700 MW	+20%

LICBC Application Process

- DOE Office of Economic Impact and Diversity will administer
- First application period opens **October 19**
- Prioritization for Additional Selection Criteria (ASC)
 - $\geq 50\%$ of capacity per category reserved for facilities meeting at least one of two ASC:
 - *Geographical Criteria*: Persistent Poverty Counties or CEJST census tracts at 90th percentile for energy burden
 - *Ownership Criteria*: Wind/solar facility owned by:
 - Tribal enterprise
 - Alaska native corporation
 - Renewable energy cooperative
 - Qualified renewable energy company: serves low-income communities and:
 - 51% owned by an individual, Community Development Corporation, agricultural cooperative, Indian Tribal government, Alaska Native corporation, or Native Hawaiian organization;
 - <10 FTE employees and $<\$20\text{M}$ annual gross receipts in last calendar year;
 - First installed/operated qualified wind/solar facility 2+ years prior to application; or
 - Provided solar services as (sub)contractor to qualified wind/solar facilities with ≥ 100 kW of cumulative nameplate capacity in 1+ low-income communities
 - Qualified tax-exempt entity (nonprofits, State/local governments)
- Initial 30-day application window, then rolling if capacity remains
 - If categories are oversubscribed in first 30 days, applications will be picked by lottery
- Procedures may change for program year 2024

Thank you!

Stay up to date with our work at justsolutionscollective.org

Send questions to sylvia@justsolutionscollective.org

Please be sure to follow us



[justsolutions_org](https://www.instagram.com/justsolutions_org)



[JustSolutionsOrg](https://www.facebook.com/JustSolutionsOrg)



[Just_Solutions_](https://twitter.com/Just_Solutions_)



[just-solutions-collective](https://www.linkedin.com/company/just-solutions-collective)

Building a Better Future: Unlocking Community Rebates and Incentives



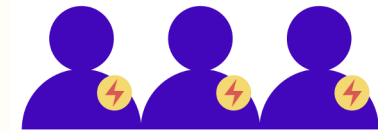
THE STAKES



**~1 million
households
reached**



**\$1 billion in
annual energy
savings**



**50,000 new
jobs created**

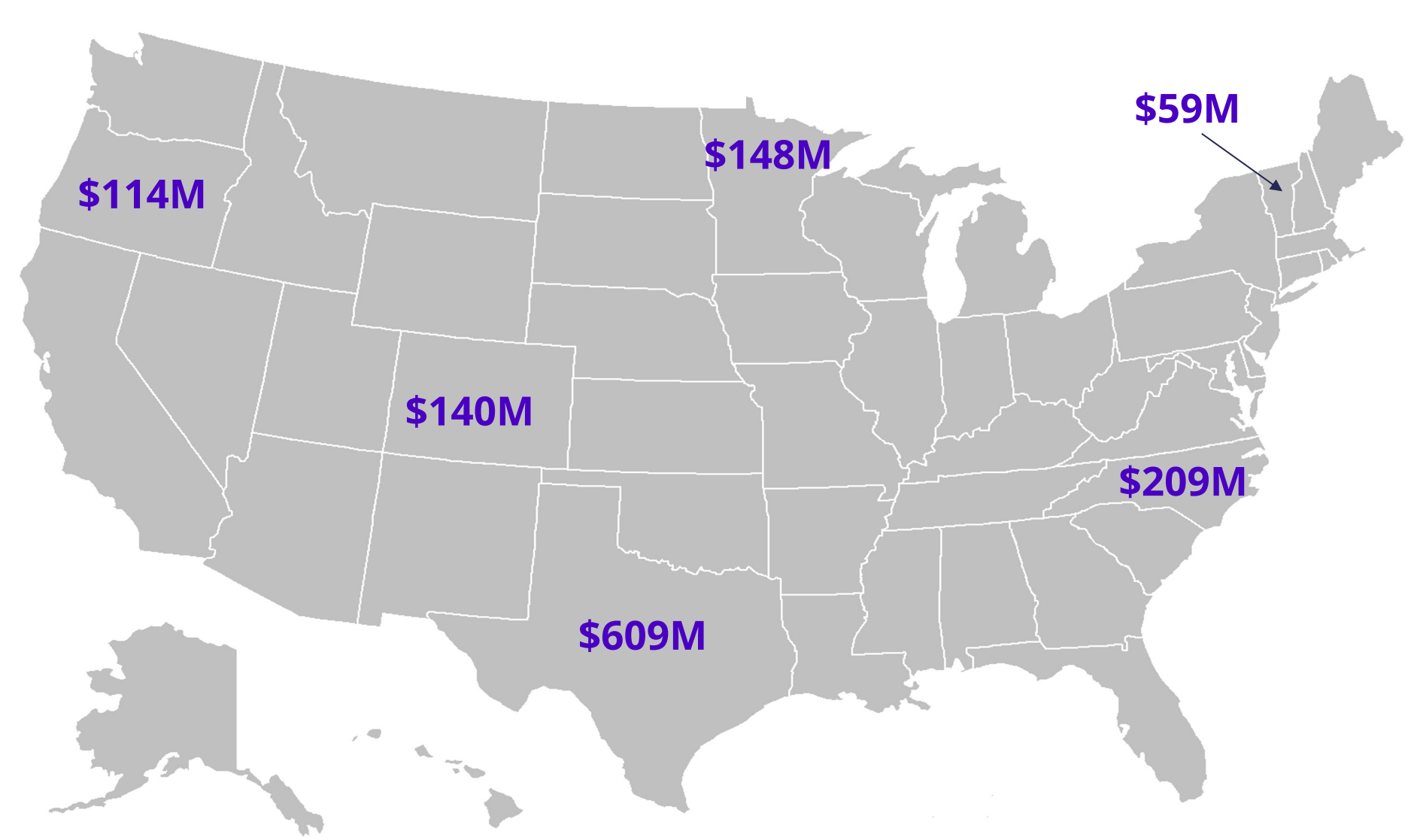
Home Electrification and Appliance Rebates – \$4.5B

- What:** Point-of-sale rebates up to \$14,000 for electric appliances including heat pumps (\$8,000), heat pump water heaters (\$1,750), electric/induction stoves (\$840), heat pump clothes dryers (\$840), electrical panel upgrades (\$4,000), weatherization (\$1,600), and rewiring (\$2,500)
- Who:** Low- and moderate-income households
- 50% of rebates reserved for low-income households
- Details:** Up to 100% of project costs are covered for low-income households, 50% for middle-income households

Home Efficiency Rebates – \$4.3B

- What:** Rebates for retrofit projects that improve a home's energy efficiency by at least 15%
- Prioritizes envelope upgrades
- Who:** All households
- 50% of rebates reserved for low-income households, whose rebate values are doubled
 - States may decide to further target specific populations based on fuel type, housing type, etc.
- Details:** Modeled improvements up to \$4,000 per household, or \$8,000 for low-income households. Measured savings are uncapped

SAMPLE STATE ALLOCATIONS



Missouri's Home Energy Rebates - \$151,173,700

- Home Electrification and Appliance Rebates - \$75,366,640
- Home Efficiency Rebates - \$75,807,060
- Administered by Missouri Department of Natural Resources - Division of Energy

Number of Households Served					
Amount per home			Amount per home		
\$8000	\$8000		\$10,000	\$6000	
Efficiency Rebates	Electrification Rebates	Total	Efficiency Rebates	Electrification Rebates	Total
9,476	9,421	18,897	7,581	12,561	20,142

Missouri's Home Energy Rebates - \$151,173,700

IRA rebates will reach only a tiny fraction of low-income Missouri households

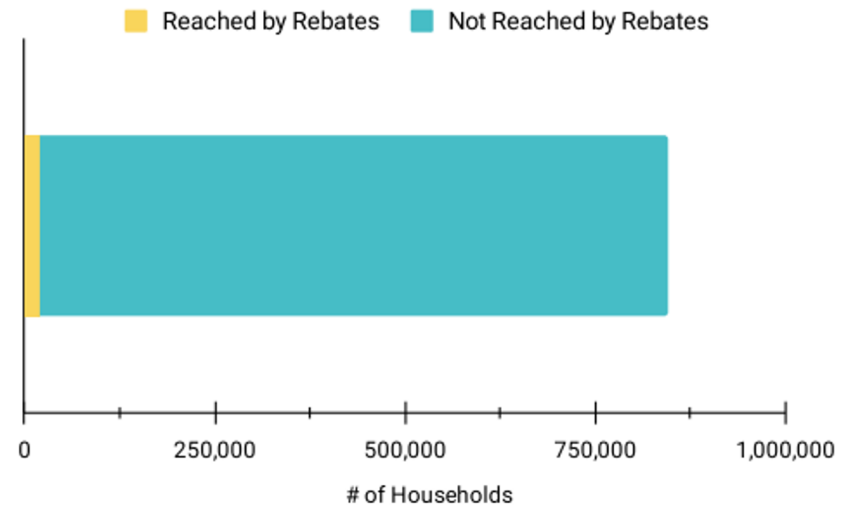


Figure 1. Number of households in Missouri <80% AMI, and number that IRA Rebates are estimated to reach

Kansas' Home Energy Rebates - \$105,635,780

- Home Electrification and Appliance Rebates - \$52,663,910
- Home Efficiency Rebates - \$52,971,870
- Administered by Missouri Department of Natural Resources - Division of Energy

Number of Households Served					
Amount per home			Amount per home		
\$8000	\$8000		\$10,000	\$6000	
Efficiency Rebates	Electrification Rebates	Total	Efficiency Rebates	Electrification Rebates	Total
6,621	6,583	13,204	5,297	8,777	14,074

Kansas' Home Energy Rebates - \$105,635,780

IRA rebates will reach only a tiny fraction of low-income Kansas households

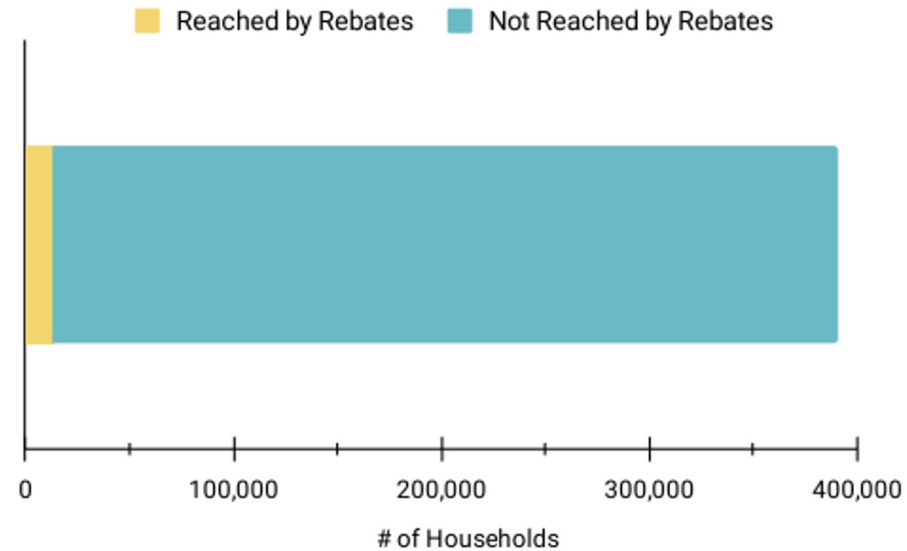


Figure 1. Number of households in Kansas <80% AMI, and number that IRA Rebates are estimated to reach

WHO DOES WHAT



DOE

- Issues requirements and recommendations
- Reviews state applications
- Issues funds



SEOs

- Designs program
- Applies for funds
- Issues RFP for implementers



Implementers

- Responds to RFP
- Processes rebates
- Works with contractors and customers



Contractors

- Sells and installs projects
- Submits info to implementor to receive rebate



“Project aggregators” can shoulder risk across portfolios of projects

WHERE WE ARE AND WHERE WE'RE GOING

March '23	July '23	Aug. & Sep. '23	Sep. '23 and beyond	Fall '23 - Winter '24	End of '23	JAN. '24 and beyond
DOE reviews RFI responses	DOE releases program guidance	DOE releases program resources and recommendations	States develop and submit applications	First states submit applications and receive funding	First states launch rebate programs	Additional waves of states submit applications; launch rebate programs



We are here

REBATES GUIDANCE

Program Requirements & Application Instructions

- Provides the application requirements for both Home Energy Rebate programs
- Overarching goals:
 - Establish exemplary and innovative efficiency and electrification programs
 - Reduce energy burdens for low-income households
 - Demonstrate value streams for sustained investments to achieve market transformation

Data And Tools Requirements Guide

- Provides requirements, tools, and workflows to ensure that data collection, reporting, and tracking – as well as rebate processing – are simple and effective
- Includes workflows that describe how each software component, actor, and action must work together to complete a rebate transaction (states are strongly recommended to use these workflows)

Data Access Guidelines

(Efficiency Rebates only)

- Provides a framework for states, utilities, third parties, and other stakeholders to ensure safe, efficient, and transparent data-sharing practices for program implementers

Recommendations for Program Administrators

- *Will be released in the next ~2 months*
- Will provide recommendations and resources for deploying effective programs, supporting the clean energy workforce, reaching households in need, etc.

HIGH-LEVEL TAKEAWAYS

Set-asides

- Both programs have a 50% low-income set-aside: 40% for low-income households generally and 10% for low-income multifamily households

Income verification

- DOE will not be providing a national income verification tool
- But both programs allow for income verification through categorical eligibility (including LIHEAP, Medicaid, SNAP, WAP, etc.), documentation of income, or self-attestation (with accountability mechanisms)

Multifamily upgrades

- Multifamily buildings can pool the Electrification Rebates across eligible units and use the pooled funding to upgrade central heating/cooling systems

State flexibility?

- Yes, lots. States will have the flexibility to target households, change rebate amounts, pursue the Efficiency Rebates' measured or modeled pathway, etc.

HIGH-LEVEL TAKEAWAYS

Retroactivity?

- No

Efficiency standards

- Both programs will require ENERGY STAR-certified appliances

Contractor incentives

- *Electrification Rebates*: contractor incentives up to \$500, depending on which technologies are installed (e.g. the contractor incentive for HPWHs is capped at \$150)
- *Efficiency Rebates*: \$200 incentive per project in a disadvantaged community

Contractor repayment

- States must ensure rebate repayment within four weeks* (but hopefully sooner!)

Quality assurance

- States must conduct independent post-install inspections of:
 - The first five projects of new contractors
 - Five percent of projects thereafter for each contractor
- States must also include QA in their Consumer Protection Plans

HIGH-LEVEL TAKEAWAYS

Market Transformation Plans

- Each state must submit a Market Transformation Plan within one year of receiving funding. States must describe how the program will:
 - Enable the market to recognize the value of homes that have been upgraded through the Home Energy Rebates
 - Enable cost sharing, braiding, and/or coordinated financing with potential funders and financiers of home energy upgrades, including existing incentive programs
 - Enable new business models in partnership with private capital to monetize grid benefits through vehicles such as FERC Order 2222 (DERs), demand management, and virtual power plants
 - Consider sustainable business models of home energy contractors
 - Continue to meet the above goals *beyond the tenure of the rebates*

TIMELINE

“Quick Start”

- DOE will prioritize processing of applications identified for a Quick Start
- Must plan to achieve rebate program launch in 2023

Most states

- Will implement programs in 2024, on a rolling basis

Some states

- May not implement programs until 2025

Hopefully no states...

- Will reject funding altogether

Application deadline

- January 31, 2025

Key Takeaways

- DOE's guidance is out so the ball is in the hands of the states to design their programs
- States have a lot of flexibility in developing their plans
- States must have at least one community engagement session but are encouraged to solicit feedback from constituents
 - If you want the programs to be designed in a certain way, ensure your voice heard
- The rebates will only go so far:
 - Target low-income households and households that will have the hardest time transitioning
 - Leverage the IRA tax credits (particularly 25C) as much as possible for non-low-income households
 - We will need additional state, local, and utility incentives

QUESTIONS?

REWIRING
JAMERICA

jamal@rewiringamerica.org



Update on Inflation Reduction Act Home Energy Rebates in Missouri

Martin Hyman

Senior Energy Advisor, Division of Energy
Missouri Department of Natural Resources

October 12, 2023

DISCLAIMER

This presentation is for informational purposes only. Consult with applicable federal or state materials such as Funding Opportunity Announcements for official program details.

About the Division of Energy

- MoDNR's Division of Energy includes State Energy Office and Low-Income Weatherization Assistance Program
- Advance efficient use of diverse energy resources and achieve greater energy security for future generations of Missourians through:
 - Weatherization services
 - Increased awareness of energy efficiency programs
 - Pathways to energy-related jobs
 - Promotion of alternative energy resources
- Primarily funded through USDOE (State Energy Program and Weatherization), Energy Loan Program earnings, portion of state LIHEAP allocation (for Weatherization)

IRA Home Energy Rebates – Basic Overview

- Home Efficiency Rebates Program (IRA Section 50121)
 - \$75,807,060 formula allocation to MO
 - Support for whole-home efficiency improvements based on savings achieved/modeled
 - Income affects rebate received, but not exclusively a low-income program
 - Savings-focused rather than prescriptive
- Home Electrification & Appliance Rebates Program (IRA Section 50122)
 - \$75,366,640 formula allocation to MO
 - Support for high-efficiency residential electric upgrades (e.g., heat pumps) in low-to-medium income households
 - Income affects rebate received
 - Prescriptive measures
- Minimum requirements for allocations of low-income and multi-family rebates
- Funds to be distributed to State Energy Offices in tranches based on program progress
- State must submit separate applications for the programs

IRA Home Energy Rebates – Key Dates

- USDOE released guidance and applications for states to receive funds on July 27, 2023
- By August 16, 2024, state must notify USDOE of intent to apply
- Full state applications due January 31, 2025

IRA Home Energy Rebates – MO Timing and Status

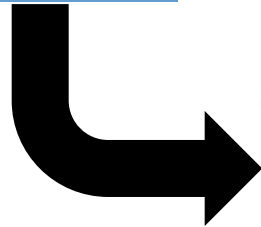
- Did not pursue early administrative funds because of lack of USDOE guidance at the time
- Legislative appropriations received to enable initial program activities
- Missouri not pursuing “Quick Start” option because of time and resource constraints
- State will submit applications earlier than the deadline if possible
- What’s required before rebates become available (non-exhaustive list):
 - Preliminary documentation for Intergovernmental Review – under development
 - Submit notices that state will apply for funds – under development
 - Public consultation – stay tuned
 - Submit applications – under development
 - RFP(s) for one or more implementation contractors – potentially year-long (or greater) process that will begin once we have more information on what to request
 - Establish programs – after contract award(s)
- Earliest rebate availability anticipated to be 2025

Related to IRA Home Energy Rebates

- Training for Residential Energy Contractors (IRA Section 50123)
 - \$2,770,120 formula allocation to MO
 - For providing training and education to contractors involved in installation of home energy efficiency and electrification improvements, including improvements eligible for rebates under IRA
 - State application due January 31, 2024
 - Department currently developing application

For More Information:

- Website: dnr.mo.gov/energy
 - Click [this button](#) for updates:



- Email: energy@dnr.mo.gov
- Phone: 573-751-2254 or toll-free at 855-522-2796



Q&A Session

Thanks for joining us!