

# Home Energy Rebates in the Inflation Reduction Act

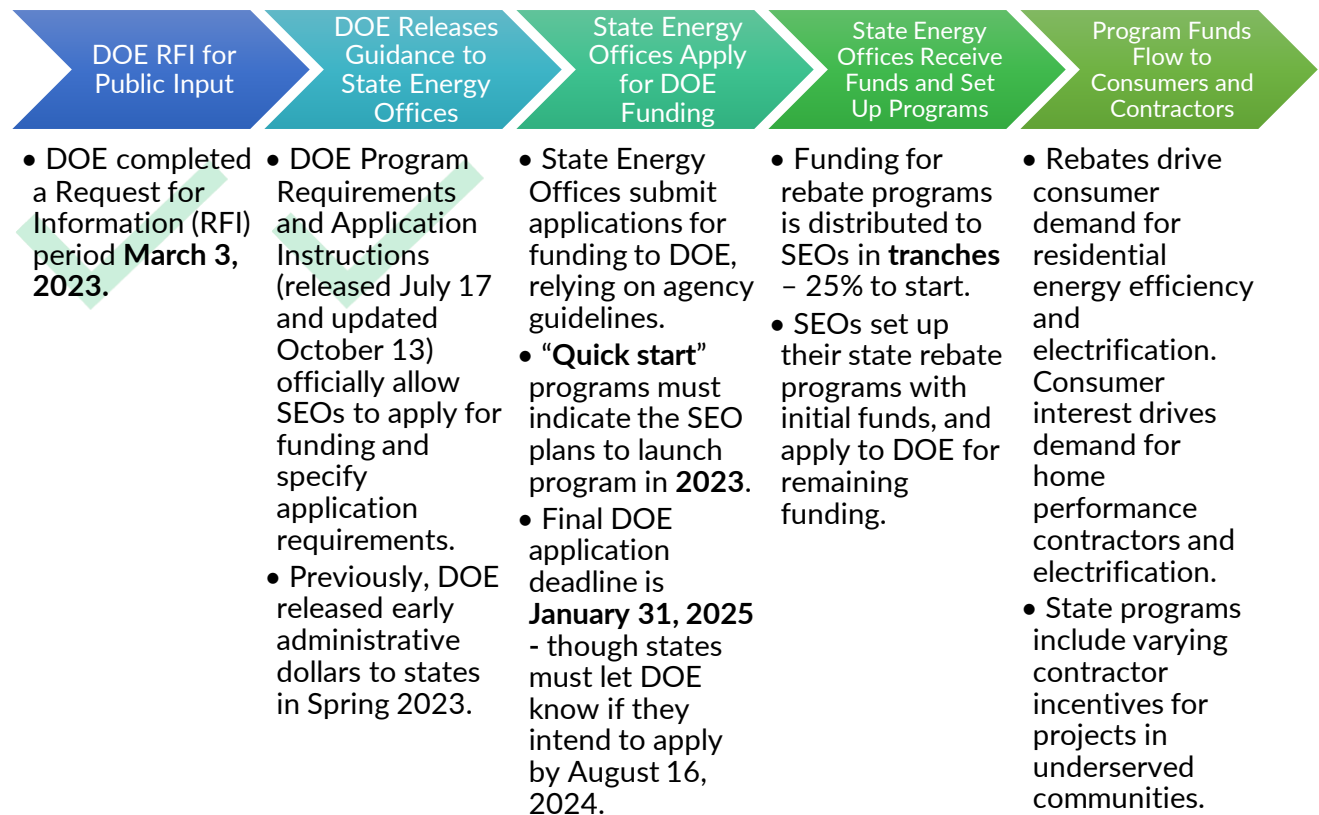
December 2023

The Inflation Reduction Act of 2022 ([H.R. 5376](#)) invests **\$8.8 billion** in Home Energy Rebates via two programs: the Home Efficiency Rebates (**HOMES**) and the Home Electrification and Appliance Rebates (**HEEHR**).<sup>1</sup> Below, learn more about this funding and how it will flow from the Department of Energy (DOE) to State Energy Offices (SEOs) – and, afterwards, to consumers and contractors. View the full list of SEOs [here](#), and view each state’s funding allocation [here](#).

## Rebates Funding Timeline

In July 2023, DOE released [Program Requirements and Application Instructions](#) for SEOs to officially open the application period and detail how states can apply for HOMES and HEEHR program funds.<sup>2</sup> States can apply for these funds until **January 31, 2025**.

**State-specific HOMES and HEEHR program launch dates and parameters will vary.** DOE generally “expects households to be able to access these rebates in much of the country in 2024” – though this will depend both on state applications to DOE and DOE application processing time and approval. See individual SEO [websites](#) for more specific timeline estimates.



<sup>1</sup> See Secs. 50121-50122 of the Inflation Reduction Act of 2022 for more information. IRA Sec. 50123 provides an additional **\$200M** for Training for Residential Energy Contractors (TREC). For more information on TREC, see DOE’s site [here](#).

<sup>2</sup> Full program requirements for the additional **\$225M** under HEEHR for [Tribal Home Electrification and Appliance Rebates](#) is expected in “Fall 2023,” per DOE.

## Contractor Requirements for both HOMES and HEEHR Programs

As part of State applications to DOE, SEOs must include the following provisions in their plans<sup>3</sup>:

- **Qualified Contractor Lists:** States must set parameters in their applications listing requisite contractor qualifications, potentially including (but not limited to):
  - Home performance industry credentials;
  - Training requirements;
  - Business insurance and licensure;
  - Skills standards; and
  - Labor standards.
- **Post-Install Inspections (Onsite or Virtual):** States must require independent onsite or virtual post-install inspections on a minimum of the first five projects of contractors/contracting organizations new to the program; and five percent of projects thereafter for each contractor (provided no issues are found).
  - **Notably, under HEEHR, these requirements apply only to heat pump projects, since HEEHR projects that do not involve a heat pump do not require a home assessment.**
  - State programs must also track **proof of combustion safety testing** on fossil fuel equipment in all homes where fossil fuel systems have been impacted by the installation, and proof of commissioning testing on all HVAC equipment installed as part of state Consumer Protection Plans.

## Low- and Moderate-Income Requirements for both HOMES and HEEHR Programs

State plans must ensure that approximately 40% of funds go to low-income (under 80% Area Median Income) households - and an additional 10% of funds must go to low-income (under 80% AMI) multifamily households. Categorical eligibility and self-attestation are encouraged by DOE as income verification pathways.

Income Level	HEEHR	HOMES
<80 percent Area Median Income (AMI)*	100 percent of costs covered	Doubled Incentive (up to 100 percent of costs covered).
80 percent – 150 percent AMI	50 percent of costs covered	Standard Incentive (up to 50 percent of costs covered).
>150 percent AMI	<b>Not Eligible</b>	Standard Incentive (up to 50 percent of costs covered).

States may choose to **further limit** HOMES/HEEHR programs to **exclusively 80% AMI and below.**

\*AMI as defined by the U.S. Department of Housing and Urban Development (HUD). See your area's median income [here](#).

<sup>3</sup> State plans will still **require final DOE approval** before implementation.

## HOMES Requirements

**Funding: \$4.3 billion total / \$4.171 billion currently open to state applications** (available through September 2031, or until expended)

State Energy Offices will apply to DOE for funding to set up new Home Efficiency Rebates (HOMES) Programs for **existing** homes.

- ▶ States will be required to set and issue **third-party certifications** for project completion that detail the work performed, equipment and materials installed, and projected energy savings to support accurate valuation of the upgrade.
- ▶ HOMES projects must undertake an energy audit compliant with [BPI-1100](#) (note: BPI-1100's blower door test and cost-benefit analysis provisions are not required as part of the audit).<sup>4</sup>
- ▶ All heating, cooling, and water heating products installed in a HOMES project must be ENERGY STAR certified.
- ▶ Projects that meet all DOE and State program requirements can potentially provide rebates **retroactively**. However, it will be **extremely difficult** for any projects to retroactively qualify, given each project will still need to meet all DOE and State requirements - many of which are not yet defined.<sup>5</sup> View DOE's Retroactivity Eligibility Checklist for HOMES programs [here](#).
- ▶ States must provide a method for low-income households to not be required to use personal funds at the point of sale to pay for rebate-covered work. In addition:
  - For Modeled programs, States must provide rebates to eligible rebate recipients **within four weeks** of an eligible application.
  - For Measured programs, States must provide rebates to aggregators submitting an eligible invoice to the state **within 60 days**.
- ▶ Contractors providing retrofits under HOMES state programs can also claim a **\$200 rebate per home** they service in an underserved community.

### HOMES Tiered Incentive Pathways

HOMES rebate programs will feature an array of tiered incentives for consumers based on **two** different pathways to home performance: **modeled energy savings** and **measured energy savings**.

#### Modeled Energy Savings

Projects must achieve modeled energy savings of at least **20 percent** to qualify for rebates.

Larger rebates are available for projects achieving modeled energy savings of at least **35 percent**.

Rebates **double** for low- and moderate-income individuals.

#### Measured Energy Savings

Portfolios of projects must achieve measured energy savings of **15 percent** across the portfolio to qualify for rebates.

Payment rate is per kWh and equal to **\$2,000** for a 20% reduction of energy use for the average home in the state.

Rebates **double** for low- and moderate-income individuals.

<sup>4</sup> Stakeholder discussions continue with DOE around HOMES BPI-1100 requirements and best practices.

<sup>5</sup> Projects would need to begin on or after August 16, 2022. For more detail, see DOE's [HOMES retroactivity checklist](#).

### Modeled Energy Savings Pathway

Projects using the **modeled** energy savings pathway must be calibrated to historical energy usage for a home **consistent with BPI-2400**.

Energy Savings	Single-Family	Multifamily
<b>20 – 34 percent</b>	\$2,000 or <b>50 percent</b> of the project cost (whichever is less).	\$2,000 per dwelling unit, with a maximum of <b>\$200,000</b> per multifamily building.
	<b>DOUBLE</b> for low- and moderate-income (LMI) individuals: <b>\$4,000</b> or up to <b>100 percent*</b> of the project cost (whichever is less).	
<b>35 percent and over</b>	\$4,000 or <b>50 percent</b> of the project cost (whichever is less).	\$4,000 per dwelling unit, with a maximum of <b>\$400,000</b> per multifamily building.
	<b>DOUBLE</b> For LMI individuals: <b>\$8,000</b> or up to <b>100 percent*</b> of the project cost (whichever is less).	

### Measured Energy Savings Pathway

Program path using a DOE-approved **open-source measurement and verification (M&V) methodology**, as approved by DOE, to determine and document monthly and hourly (if available) weather-normalized home energy use, both before and after home efficiency retrofits.

Energy Savings	Single-Family & Multifamily
<b>15 percent and over</b>	\$2,000 payment rate per kilowatt hour saved equal to a 20 percent reduction for the average home in the state, or <b>50 percent</b> of project cost.
	<b>DOUBLE</b> for LMI individuals: <b>\$4,000</b> payment rate per kilowatt hour saved equal to a 20 percent reduction per home or dwelling unit, or up to <b>100 percent</b> of project cost. For multifamily buildings to qualify, at least 50 percent of residents must be LMI.
	Energy baselines are calculated based on the average energy use of single-family homes or multifamily buildings in the State.

**Aggregator:** An entity that engages with multiple single-family homes and/or multifamily buildings for the purpose of combining or streamlining projects as allowed by the State.

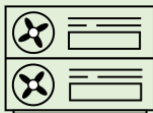
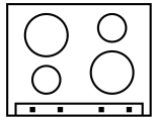

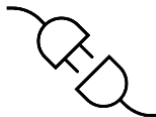
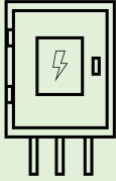

\*Per DOE's Program Requirements and Application Instructions, States can request authority from DOE to provide even **larger** rebates than the HOMES statute of 80% of project costs for low-income households and cover up to **100%** of project costs under HOMES. As noted above, states may also choose to limit HOMES/HEEHR programs to exclusively 80% AMI and below.

## HEEHR Requirements

**Funding: \$4.5 billion total / \$4.146 billion currently open to state applications** (available through September 2031, or until expended)











SEOs will apply to DOE for funding to set up new Home Appliance and Electrification Rebate (HEAR, or HEEHR) Programs to provide **point-of-sale rebates** for **exclusively** low- and moderate-income households in **new** and **existing** single-family and multifamily residences.

- ▶ States are **not required to offer all product categories listed below**, and may choose to offer only a subset of the products below.
- ▶ Rebates are capped at **\$14,000 total** per recipient.
- ▶ State programs can choose to include rebates for smart technologies such as smart thermostats under the heat pump rebate category (up to \$8,000).
- ▶ States **cannot** offer retroactive HEEHR rebates.
- ▶ **\$225 million** of the total \$4.5 billion is open for applications from [Indian Tribes](#), and will remain open until May 31, 2025 (four months beyond the SEO deadline).

<b>Appliance</b>	<b>Rebate Amount</b> (Maximum)
	Heat Pump (for space heating and cooling) <span style="float: right;">\$8,000</span>
	Electric Stove, Cooktop, Range, or Oven, or Clothes Dryer <span style="float: right;">\$840</span>
	Heat Pump Water Heater <span style="float: right;">\$1,750</span>
	Electric Wiring <span style="float: right;">\$2,500</span>
	Electric Load Service Center (Breaker Box) <span style="float: right;">\$4,000</span>
	Insulation, Air Sealing, and Ventilation <span style="float: right;">\$1,600</span>

## HEEHR Contractor Incentives

To incentivize contractors to pursue projects in these communities, States will be able to offer the following maximum incentives for the following appliances or products offered under HEEHR programs:

Appliance/Product	Contractor Incentive (Maximum)
	Installation of one or more <b>Heat Pumps</b> for space heating and cooling ( <b>Ducted</b> ) <span style="float: right;"><b>\$300</b></span>
	Installation of one or more <b>Heat Pumps</b> for space heating and cooling ( <b>Unducted</b> ) <span style="float: right;"><b>\$200</b></span>
	Installation of one or more <b>Heat Pump Water Heaters</b> <span style="float: right;"><b>\$150</b></span>
	Installation of <b>Electric Wiring</b> (per dwelling unit) <span style="float: right;"><b>\$250</b></span>
	Installation of one or more <b>Electric Load Service Center</b> (Breaker Box) <span style="float: right;"><b>\$150</b></span>
	Installation of <b>Air Sealing</b> and materials to improve <b>Ventilation</b> (per dwelling unit) <span style="float: right;"><b>\$250</b></span>
	Installation of <b>Insulation</b> (per dwelling unit) <span style="float: right;"><b>\$250</b></span>
	Installation of one <b>Electric Stove, Cooktop, Range, or Oven</b> <span style="float: right;"><b>\$0</b></span>
	Installation of one <b>Heat Pump Clothes Dryer</b> <span style="float: right;"><b>\$0</b></span>
	Installation Located within a <b>Disadvantaged Community</b> Installation (excludes electric stove and electric heat pump dryer installation) (per dwelling unit) <span style="float: right;"><b>\$200</b></span>

The dollar figures listed are **maximum** incentives that state programs can offer, though DOE requires states to offer “meaningful” installation incentives that reflect the scale of the upgrades installed. DOE gives states additional flexibility to limit these incentives to installers serving low-income households. States may also choose to zero out contractor incentives for some technologies to prioritize installation of other products. DOE guidelines are clear that the \$200 incentive for substantial installations in households located in **disadvantaged communities must be included in programs, no matter what.**

Importantly, MF building **owners** are **not** eligible to receive these incentives – these are only available to eligible entity representatives.

Additionally, installers **cannot** receive incentives from performing projects for the same household more than once in a single year.

## Program Stacking

State rebate programs are strongly encouraged by DOE to coordinate federal, state, and utility dollars to unlock maximum consumer dollar savings. Per DOE, non-federal funds can cover “any remaining costs for upgrades...beyond the value of the Federal rebate” under both HOMES and HEEHR – provided other funding programs also allow for the combining of resources.

Of course, State rebate program stacking policies will vary – but find broad DOE rules below.



**Allowed**



**Prohibited**

**(as of October 13, 2023)**

<b>HOMES Modeled Rebate + HEEHR Rebate</b> (for separate upgrades)	<b>HOMES Measured Rebate + HEEHR Rebate</b> (for HEEHR energy saving upgrades only)
<b>25C + HEEHR Rebate</b>	<b>HOMES Measured Rebates + HOMES Modeled Rebates</b>
<b>Stacking either rebate with other federal funds</b> (for separate product upgrades)	<b>Stacking rebates with other federal funds</b> (for The SAME single product upgrade)

**Clarification Needed:**  
**HOMES + 25C**

HOMES Measured rebates **may be used** at dwellings that **also** receive HEEHR **non-energy saving** upgrades (electric rewiring and breaker box upgrades).

For more information, see AnnDyl Policy Group’s [Policy Brief: The Residential Capital Stack](#).

*If you have questions, contact: Skip Wiltshire-Gordon, AnnDyl Policy Group, [skip@anddyl.com](mailto:skip@anddyl.com).*