



Heating & Cooling Systems

# CAPITALIZING ON CAPITOL HILL: TURNING THE INFLATION REDUCTION ACT INTO SALES

The Inflation Reduction Act of 2022 includes incentives that reward homeowners and builders for installing high-efficiency HVAC equipment



# THE IMMEDIATE AND LONGER-TERM IMPACT OF THE INFLATION REDUCTION ACT EXPLAINED

Bryant high-efficiency heating and cooling systems offer a number of consumer benefits. From energy savings to comfort-enhancing innovations like Evolution™ Extreme, to quieter operation, there's a lot to like. And now there's another benefit, thanks to Uncle Sam: The Inflation Reduction Act of 2022.

## WHAT IS THE INFLATION REDUCTION ACT OF 2022?

The U.S. Government has passed the Inflation Reduction Act of 2022, a piece of legislation covering a broad spectrum of initiatives, including health care costs, clean energy, and the federal deficit among others.<sup>1</sup> Of particular interest to homeowners, home builders and HVAC contractors, this act includes a number of incentives for the installation of high-efficiency home heating and cooling products, including:



- \$4.3 billion in state-administered rebates on ENERGY STAR® certified equipment (High Efficiency Electric Home Rebate Act - HEEHRA)
- \$4.3 billion in state-administered rebates on certified modeled or measured energy savings (Homeowner Managing Energy Savings Program - HOMES)
- Extension and expansion of 25C, 25D, and 45L tax credits for CEE Highest Efficiency and ENERGY STAR® certified equipment

While these initiatives do support increased emphasis on selling high-efficiency Bryant comfort systems, we recommend taking a measured approach with your customers. Rebate programs will take time to develop and will be subject to availability, and 25C tax credits are available for tax years starting in 2023.<sup>2</sup>

This guide will take a closer look at rebates and tax credits, then offer some recommendations on how to use the Inflation Reduction Act of 2022 to help sell Bryant high-efficiency systems.



## THE REALITY ABOUT THE HEEHRA REBATE ACT

While the \$4.3 billion HEEHRA rebate budget certainly catches your eye, it's best to be patient and attentive to details for now. Here's why:

- Funds will be allocated to state energy offices with a fair amount of discretion on how they will be used.
- Depending upon the state, rebate programs may take some time to get implemented.
- Funding allocations will vary from state-to-state.
- The rebate program will not be available to all households. Households earning less than 80% of the median income can qualify for the full benefit. Those earning between 80 – 150% of the average median may be eligible for a partial (50%) benefit.
- Rebates will be subject to availability – the funds are capped, so they may run out before the ten-year period is over.

**In contrast, the tax credits are in place now, and will continue to be available for the next decade.**

# TAKING ADVANTAGE OF THE INFLATION REDUCTION ACT TAX CREDITS: PATIENCE PAYS OFF

The Inflation Reduction Act of 2022 both extends and expands existing 25C and 25D tax credits to homeowners and 45L tax credits to home builders for installing applicable high-efficiency HVAC equipment. Each of these credits has specific efficiency requirements to qualify as outlined in the chart below.

Here is a summary of the tax credits as they stand now, for tax year 2023 and beyond.<sup>3</sup>

Tax Section	2023-2032 Tax Credit Details	Tax Section	2023-2034 Tax Credit Details	Tax Section	2023-2032 Tax Credit Details
25C	<p>30% of cost up to \$1,200 (\$2,000 for Heat Pump) Products must be in the highest efficiency CEE tier</p> <p><b>Air Conditioners</b> - Up to \$600 tax credit</p> <p><b>Heat Pumps</b> - Up to \$2,000 tax credit</p> <p><b>Gas Furnaces and Boilers</b> - Up to \$600 tax credit</p> <p><b>Advanced Main Air Circulating Fan</b> - Must use no more than 2% of furnace's total energy, up to \$50 tax credit</p>	25D	<p><b>Geothermal Heat Pumps</b> - 30% for systems placed in service during calendar year 2022 through calendar year 2032</p> <p>- 26% for systems placed in service during calendar year 2033</p> <p>- 22% for systems placed in service during calendar year 2034</p>	45L	<p><b>Single Family</b> - Single Family New homes - \$2,500 tax credit - Zero-energy Single Family New Homes - \$5,000 tax credit</p> <p><b>Multifamily</b> - Multifamily Units - \$500 tax credit - Zero-energy Multifamily Units - \$1,000 tax credit</p>

## WHEN DOES THIS NEW LEGISLATION TAKE EFFECT?

The 25C, 25D, and 45L tax credits can be applied to products installed as early as January 1, 2022 (see your tax specialist for 2022 tax credits). Tax credits have increased per the chart above and these increased credits are effective on products installed on or after January 1, 2023 through December 31, 2032.

## HOW DOES THIS LEGISLATION AFFECT BRYANT DEALERS?

Dealers already versed in selling our highest efficiency products now have another benefit to sell – savings through tax credits and rebates. For those currently more focused on volume sales of our entry tier models, this represents an opportunity to gain traction selling our qualifying mid-tier and deluxe models to homeowners looking for the most value for their money. Either way, Bryant dealers should benefit from more sales of higher-end systems.

## HOW DOES THIS LEGISLATION AFFECT HOMEOWNERS?






For homeowners, this legislation makes stepping up to a higher efficiency home comfort system more affordable. And when they do, it can lead to higher satisfaction with Bryant systems that provide the additional comfort benefits and potentially reduced monthly heating and cooling costs of our premium products.

Here are additional key changes to keep in mind with regard to tax credit 25C in particular:

- No lifetime tax credit cap
- Not limited to primary residences
- Increases the percentage of the credit from 10% to 30% of equipment and installation costs

# CURRENT 2023 PRODUCT ELIGIBLE FOR 25C, 25D AND 45L TAX CREDITS

Bryant offers a comprehensive family of high-efficiency products that can help homeowners enjoy exceptional comfort, savings on their energy bills, and even receive some money back on their investment through tax credits and rebates. Here's a look at products that meet the current efficiency requirements:

Criteria*	25C Tax Credit	Product	Offering	Region	SEER2 (≥)	EER2 (≥)	HSPF2 (≥)	COP @ 5F (≥)	Capacity Ratio (17F/47F)	Capacity Ratio (5F/47F)	Other Requirements	Eligible Models as of 1/20/23	
CEE	Up to \$2,000		Split Ducted Heat Pump	North Tier 1	15.2	10.0	8.1	1.75	≥ 58%	≥ 70%	Choice of capacity ratio	284ANV 227T GH7T 38MURA 38MARB 38MBRC	
				South Tier 1	15.2	11.7	7.8					284ANV 288BNV 227T GH7T 225S 215S GH5S 38MURA 38MARB	
			Non-Ducted Heat Pump	North Tier 2	16.0	9.0	9.5	1.75	≥ 58%	≥ 70%	Choice of capacity ratio	38MPRB 38MARB 38MBRC 38MGRB 38MGHB	
				South Tier 2	16.0	12.0	9.0					38MPRB 38MARB 38MGRB 38MGHB 38MHRC	
			Pkgd Heat Pump	North Tier 1	15.2	10.0	8.1	1.75	≥ 58%	≥ 70%	Choice of capacity ratio		
				South Tier 1	15.2	10.6	7.2					607E 677E	
	Up to \$600		ACs	Split AC	Tier 2	16.0	12.0						186CNV 189BNV 127T GA7T 126S 115S GA5S 315S
				Pkgd AC	Tier 1	15.2	11.5						707E 577E
	Up to \$600		Furnaces	Gas-Fired Forced Hot Air	Tier 3							≥ 97% AFUE	987M

\* Note: While the 2023 benefits of Section 25C are known for the 2023 tax year and beyond, the criteria to qualify for credit(s) are not yet finalized by the IRS and the above is subject to change based on whether the IRS will adopt the full CEE Criteria.



### WHAT YOU CAN DO IN THE SHORT TERM...

Because this legislation is so new, there are many details to be worked out. Your best strategy will be a multi-layered approach:

- Continue to ramp up your efforts in selling high-efficiency Bryant systems
- Continue to learn all you can about the details of this legislation
- Pay close attention to rebates in your area – those programs will vary from state-to-state and will take time to develop
- Be prepared to be patient – some homeowners may choose to wait on installing a new system until state funded rebates are available

NOTE: Be sure to remind your customers that they must consult with a qualified tax professional to determine how these credits may apply in their circumstance.

### WHAT YOU CAN EXPECT IN 2023 AND BEYOND...



This is a 10-year program with ongoing implications for sales of high-efficiency systems. For the longer term, you should:

- Be prepared for an increase in sales of high-efficiency systems
- Be prepared for increased interest in and sales of heat pumps with the \$2,000 tax credit
- Reach out to your state energy offices to gather details on local rebate programs
- Be prepared for a potential need for increased staffing and training
- Be prepared for increased need for inventory and storage of higher efficiency systems

# A FINAL WORD

As a Bryant dealer you already have an advantage with products and support from the world's innovative leader in comfort. And now, you have renewed consumer interest in high-efficiency indoor comfort, thanks to the Inflation Reduction Act of 2022.

To fully leverage this opportunity, we encourage you to bolster your efforts in selling the comfort and energy-saving benefits of Bryant higher efficiency systems. Be prepared to discuss the potential tax credits available, the efficiency requirements needed to earn the credit, and the Bryant products that meet those criteria. Then, communicate those potential incentives in every sales presentation.

As a Bryant dealer, the time to capitalize on Capitol Hill's action is now. We look forward to working with you to accelerate sales of our highest efficiency systems!

<sup>1</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/15/by-the-numbers-the-inflation-reduction-act/>

<sup>2</sup> <https://www.kiplinger.com/taxes/605069/inflation-reduction-act-tax-credits-energy-efficient-home-improvements>

<sup>3</sup> [https://www.energystar.gov/about/federal\\_tax\\_credits](https://www.energystar.gov/about/federal_tax_credits)



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