



The IRA Offers Tax Benefits to Single Family & Multifamily Builder

WHAT IS THE INFLATION REDUCTION ACT?

As the largest bill in U.S. history focused on climate change, the Inflation Reduction Act (IRA) includes more than \$300 billion in energy efficiency investments and tax incentives. Beginning January 1, 2023, builders can take advantage of tax incentives for new single family, multifamily, and manufactured homes thanks to the extended and expanded Section 45L, the New Energy Efficient Home Credit.

WHAT IS SECTION 45L?

The 45L tax credit rewards multifamily developers, investors, and homebuilders that develop energy efficient homes and units. Under the IRA, Section 45L has been updated and extended through 2032 and the tax credit amounts have been increased per dwelling unit for single family and multifamily properties. To access credits, builders must align with Department of Energy programs for Energy Star and Zero Energy Ready Homes.

WHAT'S CHANGING IN SECTION 45L?

- The credit was extended for 10 years through December 31, 2032
- The credit opportunity is higher – now up to \$5,000 per dwelling (previously it was \$2,000)
- All multifamily buildings qualify – no longer restricted to buildings that are 3 stories or less
- It does not impact basis for Low Income Housing Tax Credit (LIHTC) – you can use both

CREDIT OPPORTUNITY FOR SINGLE FAMILY & MANUFACTURED HOMES

Tax incentives are tied to two certification programs: Energy Star and the Zero Energy Ready Program of the U.S. Department of Energy. If a new single family or manufactured home passes Energy Star requirements, builders can receive a \$2,500 tax credit. Builders can receive a credit of \$5,000 per dwelling for meeting Zero Energy Ready Home requirements.

CREDIT OPPORTUNITY FOR MULTIFAMILY PROJECTS

The same credits are available to multifamily projects. Each unit is eligible for a \$2,500 or \$5,000 tax credit. However, builders must pay prevailing wages to employed laborers and mechanics. If employees are not paid prevailing wage, the credit is lowered to \$500 or \$1,000 per unit if the project meets Energy Star or Zero Energy Ready Home requirements, respectively

THE IMPORTANCE OF MEASURING INFILTRATION RATES

Both Energy Star and Zero Energy Ready programs have specific climate-zone air infiltration requirements – that is, air that enters the building through leaks in the building envelope. A blower door test measures such leaks in single and multifamily dwellings and must be conducted before and after air sealing. The goal for builders is to design and construct an airtight home that reduces energy usage and keeps homeowners comfortable.

CARLISLE
SPRAY FOAM INSULATION

The multi-functional performance of closed-cell spray foam insulation provides a complete environmental separator in one product for a cost-effective, high-performance wall system. Closed-cell spray foam insulation provides four levels of protection – thermal, moisture, air, and vapor. It can help stop uncontrolled airflow and contribute to greater energy efficiency and moisture control.

CARLISLE SPRAY FOAM INSULATION CAN HELP

There are many areas in a home that can leak air resulting in wasted energy and higher heating and cooling costs. Per the U.S. Department of Energy, the potential energy savings from reducing leakage in a home may range from 5% to 30% per year, and the home is generally more comfortable afterward.

Carlisle Spray Foam Insulation controls air leakage better than traditional insulation materials by creating a tight thermal envelope around the entire home and forming a precision-fit seal in any crack, crevice, or gap to keep temperature-controlled air where it's supposed to be: indoors. Plus, it eliminates the need for additional air sealing products and exterior continuous insulation.

Your CSFI Representative is available to meet with you to review how spray foam insulation can cost-effectively be incorporated into your energy efficient homes.

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