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## Product Bulletin

Date	Subject	Department
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Bulletin Number	Product Model Number(s)	Author Name/Email
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### [The Energy Efficient Home Improvement Credit \(25C\) in 2023](#)

In 2022, the expired Energy Efficient Home Improvement Credit – previously known as the Nonbusiness Energy Property Credit and otherwise known as Section 25C – was reintroduced and extended to the end of 2022 through the Inflation Reduction Act of 2022 (IRA). At the same time, 25C was extended for eligible investments made from 2023 through 2032. **Though the benefits of 25C are known, please be aware that the criteria and filing process are still not finalized by the IRS.**

#### Introduction

For installations of eligible equipment occurring after January 1, 2023, homeowners may receive a nonrefundable credit against their taxes for an amount equal to the sum of:

- 30% of the total installation costs of eligible equipment up to \$1,200 per taxable year.
- The credit for eligible heat pump installation costs is capped at \$2,000; these costs are considered separate from the \$1,200 annual limit.
  - This means, the installation of an approved heat pump along with other qualifying expenditures is capped at a total of \$3,200 per taxable year.
- ***25C is a nonrefundable tax credit. Please have your consumers consult with their tax professional for further details.***

#### Top Features

A homeowner can claim the § 25C credit only for qualifying expenditures incurred for an existing home or for an addition or renovation to an existing home. This cannot be claimed on a new construction home. Labor costs may be included while calculating the § 25C credit for the onsite preparation, assembly, or original installation. In contrast, a homeowner may not include the labor costs for qualified energy efficient building envelope components.

The credit for qualifying equipment is subject to a cap of \$600 for Central Air Conditioners, \$600 for Furnaces and \$2,000 for Heat Pumps. The (IRA) requires 25C to align with the equipment specifications determined by the Consortium for Energy Efficiency (CEE). The links to CEE’s full equipment specification for residential heating and cooling systems and for furnaces are below.

[CEE Residential Heating and Cooling Systems – Electric Equipment Specifications \(AC & Heat Pump\)](#)

[CEE Residential Heating and Cooling Systems – Natural Gas Equipment Specifications \(Furnaces\)](#)



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## Top Features (continued)

CEE’s new requirement includes tiers for each product as well as criteria based on regionality (North & Canada versus South). Again, while the benefits of 25C for qualifying products installed in 2023 through 2032 are known, **how the IRS will apply CEE’s criteria are not yet finalized and more information is forthcoming and expected by the end of Q1-2023.**

Until the IRS releases full guidance on how the CEE criteria will be applied, please inform you customers to defer to the CEE highest tier (excluding advanced tier) and regionality when recommending solutions to their customers while referring to [MyCarrierRatings](#) and/or the [AHRI Registry](#) to identify suitable solutions. Note that AHRI still has not updated their registry to designate tax credit eligible combinations based on the CEE criteria but are currently working to do so.

**Please recognize that there is still a risk that the IRS may decide to adopt the CEE heat pump requirement in full or only partially.**

Below are the highest CEE tiers for each designated product category (excluding any advanced tier) with region distinction, if applicable, and the Carrier model families that have combinations that meet the criteria.

Criteria Basis	Technology	Offering	Product	SEER2 (≥)	EER2 (≥)	HSPF2 (≥)	COP @ 5F (≥)	Capacity Ratio (17F/47F)	Capacity Ratio (5F/47F)	Other Requirements	25C Tax Credit (Up to)	CARRIER Applicable Products †
CEE	Heat Pumps	Split Ducted Heat Pump	North - Tier 1	15.2	10.0	8.1	1.75	≥58%	≥70%	Choice of capacity ratio	\$2,000	25VNA4, 25TPA7, GH7T, 38MURA, 38MARB, 38MBRC †
			South - Tier 1	15.2	11.7	7.8						25VNA4, 25VNA8, 25TPA7, GH7T, 25SPA5, 25SCA5, 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
		Packaged 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						50VR, 48VR
	Air Conditioners	Split AC	Tier 2	16.0	12.0						\$600	24VNA6, 24VNA9, 24TPA7, GA7T, 24SPA6, 24SCA5, GA5S, 34SCA5
		Packaged AC	Tier 1	15.2	11.5							50VG, 48VG
	Furnaces	Gas-Fired Forced Hot Air	Tier 3							≥97% AFUE	\$600	59MN7

† PLEASE NOTE:

- Please refer to MyCarrierRatings.com and/or AHRI Directory to determine the compliance of specific combinations.
- Compliance with North Heat Pump criteria based on capacity maintenance ratio of 58% at 17F.
- COP at 5°F assumed to be ≥1.75 for North Heat Pumps; AHRI to be updated by the end of February 2023 with 5°F capacity and COP data.



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### Resources

Though we are still awaiting the full 2023 guidance, we have several resources available, and we will continue to update as more information presents itself. Below are a few links to resources relevant to the Inflation Reduction Act.

- [“CAPITALIZING ON CAPITOL HILL: TURNING THE INFLATION REDUCTION ACT INTO SALES”](#) – Brochure
  - Will be updated with 2023 information soon.
  - Current Literature Number: **01-811-20568-01**
- [“Inflation Reduction Act Frequently Asked Questions”](#) – FAQ Document
  - Will continue to be updated with 2023 information and relevant questions.
- [“IRS Fact Sheet”](#) – IRS FAQ Document on Energy Efficiency Related Tax Issues
- [“IRS Code 25C Extended”](#) – August 2022 Product Bulletin