

## ***MEMORANDUM***

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**DATE:** May 24, 2022  
**TO:** All  
**FROM:** Wendy J. Manson, CPA, and William J. Palazzolo, Esq.  
**RE:** Energy Tax Credits

From electric vehicles to solar panels, “going green” can offer both environmental and financial benefits. With global conflicts and increased gas prices, now may be the time to explore reducing your carbon footprint to better the Earth and save you money. In addition, with more emphasis on environmental, social and governance (ESG) standards, you are likely more cognizant of organizational social practices and the impacts on your community.

We have summarized some of the energy savings options available, including tax credits, that can position you for a stronger and more “green” tomorrow.

### **Electric vehicle tax credits**

Fully electric vehicles have come a long way since they first came to the modern market - now offering sportier models, more efficient batteries and faster charge times - allowing you to travel farther on one single charge. These “go-green” vehicles do not use gas-powered engines, allowing you to save potentially thousands of dollars each year on gas alone.

In addition, you may qualify for a tax credit. The tax credit ranges from \$2,500 to \$7,500, depending on several factors, such as which make and model you purchase, and whether it draws propulsion energy from a battery with at least five kilowatt hours of capacity.

The credit begins to phase out for a manufacturer’s vehicles when at least 200,000 qualifying vehicles produced by that manufacturer have been sold for use in the U.S. [IRS.gov provides an index of manufacturers](#) to help you determine if a particular brand and model year qualifies for the tax benefit.

The Infrastructure Investment and Jobs Act allocated \$7.5 billion to states and local governments to help increase public charging station availability nationwide. This additional infrastructure should make it easier for consumers to adopt energy efficient cars.

### **Residential energy efficient property credits**

Installing equipment such as solar panels, solar hot water heaters, certain wind turbines and fuel cells may be an effective way for you to lower your utility bill and potentially save on your taxes. For tax year 2022, the residential renewable energy tax credit is 26% of the costs incurred to upgrade a principal residence and/or second home. You’ll need to have the manufacturer’s statement that certifies that the components meet the requirements.

Under current law, the credit is reduced to 22% of the cost of energy-saving upgrades placed in service in 2023, and the credit is set to expire at the end of 2023. However, Congressional actions may extend or change the credit for future years.

In addition to federal tax credits, state programs for renewable energy and energy efficiency, which exist across a wide range of technology types, are also available and can offer significant tax saving opportunities. Regardless of potential tax credits, improvements that add to the value of your home and prolong its useful life are added to the basis of your home. With rising housing prices, the increased basis will decrease a potential taxable gain later.

### **Environment, social and governance (ESG) investing**

ESG standards are a way to evaluate how a company addresses employees, suppliers, customers and the communities where the business operates. ESG criteria help investors with investment decisions, understanding the growing global need to be more socially conscious. ESG investing may also reduce tax liabilities for companies/investors via certain credits or deductions such as:

- Low-income housing credit
- Historic rehabilitation tax credit
- New markets tax credit