

The Inflation Reduction Act

Unprecedented opportunities for the HVAC industry with heat pumps for commercial applications



MITSUBISHI ELECTRIC TRANE HVAC US





What is the Inflation Reduction Act?

The Inflation Reduction Act of 2022 (IRA) is the largest ever climate investment by the Federal Government in American history, projected to reduce greenhouse gas (GHG) emissions by 31-44% below 2005 levels by 2030. The IRA will also bring energy bill relief to U.S. households by incentivizing the adoption of more efficient, all-electric appliances. Importantly, the IRA fully recognizes the key role of highly efficient, variable-capacity heat pumps in slashing domestic GHG emissions and lowering energy costs for Americans. In fact, at least 87% of U.S. households, 104.7 million, could save \$37.3 billion a year on energy bills if they were using modern, high-performance heat pumps and water heaters.*

The programs with the biggest direct impact on variable-capacity heat pump adoption are the High-Efficiency Electric Home Rebate Program (HEEHRP), the HOMES Rebate Program, and the extension and enhancement of the 25C tax credit. Both programs will create unprecedented growth opportunities for Mitsubishi Electric Trane HVAC US (METUS), our distributors, and our contractors. This brochure provides an overview of these programs, and others, that you'll want to become familiar with.

*Rewiringamerica.org

45L



Multifamily Dwellings:
\$500 per unit for ENERGY STAR standards;
\$1,000 per unit for Zero Energy Ready Homes

HOMES



Based on modeled energy savings
for single and multifamily

45L



Multifamily with prevailing wage provisions:
\$2,500 per unit for ENERGY STAR standards;
\$5,000 per unit for Zero Energy Ready Homes

Programs Benefitting Builders and Contractors

New Energy Efficient Home Tax Credit (45L) for New Construction

Eligibility: Contractors that build and sell homes meeting specified energy efficiency requirements.

- Single Family Homes: \$2,500 for homes that meet ENERGY STAR standards; \$5,000 for Zero Energy Ready Homes.
- Multifamily Dwellings: \$500 per unit that meets ENERGY STAR standards; \$1,000 per unit for Zero Energy Ready Units.
- Multifamily Dwellings: \$2,500 per unit that meets ENERGY STAR standards; \$5,000 per unit for Zero Energy Ready Units (condition: laborers and mechanics employ contractors and subcontractors that pay prevailing wages).

Commercial Program Benefitting Building Owners and Architects

Energy Efficient Commercial Building Deduction (179D) Changes

- The deduction was increased as of January 1, 2023.
- Energy reduction (ER) will be lowered from 50% to 25% compared to the most recent ASHRAE Standard 90.1, determination no later than four years prior to the placed-in-service date.
- Tax deduction levels:
 - \$.50 per square foot, plus \$.02 for each percentage point above 25% ER, not to exceed \$1.00 per square foot.
 - "Prevailing wage" provision: taxpayers can claim the bonus deduction for \$2.50 per square foot, plus \$.10 per square foot for each percentage point above 25% ER, not to exceed \$5.00 per square foot if the prevailing wage requirement is met (any laborers, workers, contractors, and subcontractors who worked on the project were paid wages not less than base wages determined by local labor authorities). The wages paid to contractors and sub-contractors must be at rates not less than the prevailing rates for construction in the locality in which the building is located, as defined by the Secretary of Labor.

Apprenticeship Requirements

Taxpayers satisfy the apprenticeship program requirement when hours worked by qualified apprentices make up a set percentage of the total hours worked on a construction project. The percentage of qualified apprentice hours to total hours vary based on the date construction begins:

- Before January 1, 2023 10%
- After 2022 and before January 1, 2024 12.5%
- On or after January 1, 2024 15%
 - The Act introduces new qualified retrofit plan qualifications and removes partial benefit allowances.
 - 179D's expansion will allow 179D deductions to be allocated to any non-profits, tribal properties, and REITs, and it includes the existing provision for publicly funded projects.

Provision	New IRC Section 179D Effective from January 1, 2023	Previous IRC Section 179D Effective from January 1, 2006-December 31, 2022
Eligibility	<ul style="list-style-type: none"> • Commercial building owners • Designers of buildings owned by: <ul style="list-style-type: none"> - Government entities - Not-for-profit organizations - Churches and other religious organizations - Tribal organizations - Not-for-profit schools and universities • REITs 	<ul style="list-style-type: none"> • Commercial building owners • Designers of buildings owned by government entities
Tax Deduction Range	<p>Base Deduction: Sliding scale of 50 cents/sqft for energy savings of 25% and up to \$1/sqft for energy savings of 50% or greater</p> <p>Bonus Deduction: Sliding scale of \$2.50/sqft for energy savings of 25% and up to \$5/sqft for energy savings of 50% or greater</p>	63 cents/sqft - \$1.88/sqft per eligible system
Deduction Cap	A three-year cap that allows IRC Section 179D to be claimed on buildings if the previous full deduction claim occurred more than three taxable years ago	Since 2006, there's been a lifetime cap of \$1.80/sqft or \$1.88sq/ft with inflation adjustment
Technical Requirements	ASHRAE standard in effect from four years prior to completion of construction	ASHRAE standard in effect from two years prior to start of construction
Bonus Deduction	<ul style="list-style-type: none"> • Meet local prevailing wage • Meet apprenticeship percentage hours for up to 15% of labor hours 	Not applicable



MITSUBISHI ELECTRIC TRANE HVAC US

Our Commitment

We've led efforts to establish rebates and incentives for decades, educating energy groups, state and local lawmakers, utilities, Congress, and even the White House about the energy savings, cold-climate performance, and environmental benefits of our variable-capacity heat pumps. As a result, we're well-positioned to be your leading provider of heat pump technology to satisfy the demand that this new legislation will create. Along with product innovation, we're investing in systems and infrastructure to support you, so you can support your customer. Together, we'll enjoy the benefits of the broader adoption of our variable-capacity heat pumps.



Scan the QR code and navigate to our web page to find the latest information about the Inflation Reduction Act including our listing of qualified products

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