§ 45L Builder Tax Credit

ASK ABOUT ENERGY STAR CERTIFIED HOMES

ENERGY STAR® Certified Homes and Apartments Can Earn Tax Credits of up to $2,500

The § 45L New Energy Efficient Home Credit has been updated and extended through 2032.

For homes and apartments acquired on or after January 1, 2023, earning the § 45L Tax Credit requires certification to an eligible version of the ENERGY STAR Residential New Construction program requirements. Visit the U.S. Environmental Protection Agency's (EPA) § 45L website to see which versions of the ENERGY STAR program requirements are eligible for the credit. Note that, in some cases, a home may be certified as ENERGY STAR using a version of the program requirements that is not eligible for the § 45L credit.

The § 45L Tax Credit is available for:

Single-Family Homes: $2,500 available for homes certified to eligible ENERGY STAR Single-Family New Homes program requirements.

Manufactured Homes: $2,500 available for homes certified to eligible ENERGY STAR Manufactured New Homes program requirements.

Multifamily Homes: $500 available for homes certified to eligible ENERGY STAR Multifamily New Construction program requirements, with a larger tax credit ($2,500) available when prevailing wage requirements are met.

About ENERGY STAR

ENERGY STAR is the government-backed symbol for energy efficiency. Homes and apartments that earn ENERGY STAR certification are built from the ground up to meet the EPA's rigorous requirements for insulation, windows, air sealing, HVAC systems, and other energy-efficient construction features. Nearly 2.7 million ENERGY STAR certified homes and apartments have been built to date, and more than 2,500 builders, developers, and manufactured housing plants are active in the program.

Consult with a tax professional to determine whether and how you can claim the § 45L credit and if the credit can be used with other tax incentives or federal incentives. For more detailed information about this credit, visit the Internal Revenue Service (IRS) § 45L tax credit webpage.

Learn more: www.energystar.gov/45LTaxCredits

EPA
United States Environmental Protection Agency

§ 45L Frequently Asked Questions

What are the eligibility requirements for the § 45L Tax Credit?

The § 45L Tax Credit is available for homes located in the United States that meet specified energy savings requirements, were constructed by an eligible contractor, and were acquired by a person from such eligible contractor after December 31, 2022, and before January 1, 2033, for use as a residence during the taxable year for which the taxpayer is claiming the § 45L Tax Credit. Find more information at IRS Notice 2023-65.

What version of ENERGY STAR program requirements does the § 45L Tax Credit require?

The Minimum ENERGY STAR Versions Eligible for the § 45L Tax Credit tables show the minimum program versions eligible by year, as defined by the effective dates for each version set by the EPA and transition timelines established in the § 45L Tax Credit. Program version eligibility for future years will be provided annually in January.

What if a home or apartment is certified to a newer program version than required for the § 45L Tax Credit?

Newer versions of the ENERGY STAR program requirements can be used to satisfy the minimum requirements for the § 45L Tax Credit in a given year. For example, in 2023, a home certified to National v3.2 also meets the minimum eligible version for the § 45L Tax Credit in that year, which was National v3.1. Find more information at IRS Notice 2023-65.

Who is an eligible contractor under the § 45L Tax Credit?

An eligible contractor is defined as the person who constructed the qualified home, owned and had a basis in the qualified home during its construction, and sold or leased the home to a person for use as a residence. For manufactured homes, an eligible contractor is the person who produced the home and owned and had a basis in the qualified home during its production.

If a person who owns and has a basis in a qualified home during its construction hires a third party to construct the home, the person who hired the third-party contractor is the eligible contractor, not the third party. However, a home is not considered to have been acquired if the eligible contractor retains it for use as a residence. For additional details, see Sections 5.01 and 5.02 of IRS Notice 2023-65.

How do I claim the § 45L Tax Credit, and what documentation is needed?

For details on claiming the § 45L Tax Credit, including information about completing Form 8908 (Energy Efficient Home Credit), visit the IRS § 45L tax credit webpage. Eligible contractors are encouraged to practice good recordkeeping of all documents required to support a claim for the § 45L Tax Credit, including proof of ENERGY STAR certification for each home and dwelling unit being claimed. See the ENERGY STAR Policies Related to the § 45L Tax Credit for a list of eligible documents that demonstrate proof of certification for each sector.

Is the required program version for the § 45L Tax Credit based on the permit date or the acquisition date of a home or apartment?

For homes to qualify for the § 45L Tax Credit based on ENERGY STAR certification, the minimum eligible program version that must be achieved is determined based on the acquisition date of the home. The term “acquired” includes purchase, as well as leasing, by a person from an eligible contractor for use as a residence during the taxable year (see IRS Notice 2023-65). In contrast, § 45L Tax Credit eligibility for the U.S. Department of Energy (DOE) Zero Energy Ready Homes program is based on the permit date. Partners should also be aware that, for the purpose of earning the ENERGY STAR certification (as opposed to qualifying for the § 45L Tax Credit), the permit date determines the applicable program requirements.

Are existing homes eligible for the § 45L Tax Credit?

While primarily intended for new construction, existing homes and buildings (e.g., those undergoing substantial reconstruction or rehabilitation) are also eligible to participate in the ENERGY STAR Residential New Construction program, provided that they meet all program requirements. However, partners should be aware that meeting some program requirements may present unique challenges for existing homes, depending on the scope of the renovation. Learn more at Guidance for Homes and Buildings Undergoing Gut Rehabilitation.

Learn more and see additional Frequently Asked Questions at: www.energystar.gov/45LTaxCredits

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