

TAKING ADVANTAGE OF TAX INCENTIVES IN 2023 & BEYOND

LEARN HOW THE INFLATION REDUCTION ACT OF
2022 CAN LEAD TO SAVINGS ON HIGH-EFFICIENCY
DUCTED HVAC SYSTEMS

INFLATION REDUCTION ACT OVERVIEW

What is the Inflation Reduction Act of 2022?

Passed in 2022 by the US Government, the Inflation Reduction Act (IRA) aims to make a down payment on deficit reduction to fight inflation, invest in domestic energy production and manufacturing, and reduce carbon emissions over the course of 10 years.

This is particularly relevant to homeowners, home builders and HVAC contractors, as the IRA includes enhanced tax incentives and consumer rebates for the installation of heat pumps and high-efficiency air conditioners and furnaces.

Purpose of This Guide

This guide includes helpful information on the IRA as it pertains to the HVAC industry, provides a list of Friedrich® ducted equipment that's eligible for tax credits and rebates, and offers recommendations for how contractors can be prepared for the legislation's long-term implications.

Tax Credits vs. Consumer Rebates

The IRA announced the extension and expansion of 25C, 25D and 45L tax credits for CEE highest efficiency and ENERGY STAR® certified equipment, as well as a \$4.3 billion program for state-administered rebates on ENERGY STAR® certified equipment.

Tax Credits

The tax credits in place now are in effect for the next 10 years. When it comes to tax credits, the IRA has the following implications:

- Extends and expands existing 25C and 25D tax credits to homeowners installing applicable high-efficiency HVAC equipment
- Extends and expands existing 45L tax credits to home builders installing applicable high-efficiency HVAC equipment

Rebates

As the IRA is relatively new legislation, the rebate program is still in development by the states with an expected launch date in late 2023. Here are a few important things to keep in mind regarding the rebates:

- Funds will be allocated to state energy offices, which means depending on the state, some rebate programs may take some time to get started
- Exact funding allocations will vary by state
- Not all households may be eligible for the rebate program
 - Those earning less than 80% of the area median income may qualify for the full rebate
 - Those earning between 80–150% of the area median income may be eligible for a partial rebate (50%)
- Rebate program ends after state funds are expended

WHAT IS NEW FOR 2023

Energy Efficient Home Improvement Credit (25C)

A Valuable and Long-term Tax Credit Extension



Effective January 1, 2023, through December 31, 2032



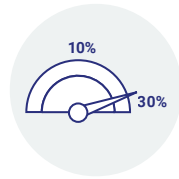
No lifetime tax credit cap



Not limited to primary residences



No income requirements



Increases the percentage of the credit from 10% to 30% of equipment and installation cost

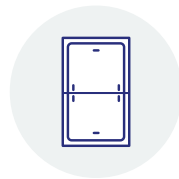


Annual \$1,200 nonrefundable tax credit for eligible HVAC systems, insulation and air sealing; and a \$2,000 tax credit for eligible heat pumps

Available Tax Credits



Up to \$2,000 for electric heat pumps



Up to \$600 for furnaces (natural gas, propane or oil)



Up to \$600 for air conditioners

Qualifications



Split and Packaged Air Conditioners and Heat Pumps: meet or exceed CEE highest efficiency tier (excluding advanced tier)

Gas Furnaces: $\geq 97\%$ AFUE



To Qualify, Homeowners Must Owe Taxes

Tax credit offsets federal taxes owed

What is CEE?

The Consortium of Energy Efficiency (CEE) is a network of gas and electric efficiency program administrators and sets CEE product tiers to differentiate highly efficient HVAC equipment for incentive and promotion programs.

Important Eligibility Notice

Per current US Treasury guidance, Friedrich cannot confirm that 2022 and prior manufactured HVAC systems (M-Platform) that are approved for 2023 installations, but were rated against previous energy efficiency standards of SEER/EER/HSPF, are eligible for federal tax credits under the IRA of 2022.

Friedrich Equipment Eligible for the Energy Efficient Home Improvement (25C) Tax Credit

IMPORTANT: Listed eligible models are based on CEE Tier Guidance as of 1/19/23.

Split & Packaged Heat Pumps¹:

North²

Split Ducted Heat Pumps

- **Qualifications:** ≥ 15.2 SEER2, ≥ 10.0 EER2, ≥ 8.1 HSPF2, ≥ 1.75 COP @ 5°F, $\geq 58\%$ @17°F/47°F or $\geq 70\%$ @5°F/47°F
- **Eligible Friedrich Equipment:** FRP18AZ24, FRP18AZ36, FRP18AZ48, FRP18AZ60, FRP15AZ18, FRP15AZ24, FRP15AZ30, FRP15AZ36, FRP15AZ42, FRP15AZ48, FRP15AZ60, FRP16AZ24, FRP16AZ36, FRP16AZ48, FRP16AZ60, FRD16AZ24, FRD16AZ30, FRD16AZ36, FWP15AZ18, FWP15AZ24, FWP15AZ30, FWP15AZ36, FWP15AZ42, FWP15AZ48, FWP15AZ60

Packaged Heat Pumps

- **Qualifications:** ≥ 15.2 SEER2, ≥ 10.0 EER2, ≥ 8.1 HSPF2, ≥ 1.75 COP @ 5°F, $\geq 58\%$ @17°F/47°F or $\geq 70\%$ @5°F/47°F
- **Eligible Friedrich Equipment:** n/a

South (Southeast³/Southwest⁴)

Split Ducted Heat Pumps

- **Qualifications:** ≥ 15.2 SEER2, ≥ 11.7 EER2, ≥ 7.8 HSPF2
- **Eligible Friedrich Equipment:** FRP18AZ24, FRP18AZ36, FRP18AZ48, FRP18AZ60, FRP15AZ18, FRP15AZ24, FRP15AZ30, FRP15AZ36, FRP15AZ42, FRP15AZ48, FRP15AZ60, FRD16AZ24, FRD16AZ30, FRD16AZ36, FWP15AZ18, FWP15AZ24, FWP15AZ30, FWP15AZ36, FWP15AZ42, FWP15AZ48, FWP15AZ60

Packaged Heat Pumps

- **Qualifications:** ≥ 15.2 SEER2, ≥ 10.6 EER2, ≥ 7.2 HSPF2
- **Eligible Friedrich Equipment:** RHPAZS024, RHPXZS036, RHPXZS048, RHPXZS060, RHPBZS024, RHPBZS036, RHPBZS048, RHPBZS060

Split & Packaged Air Conditioners¹:

Split Air Conditioners

- **Qualifications:** ≥ 16 SEER2, ≥ 12.0 EER2
- **Eligible Friedrich Equipment:** FRA18AZ24, FRA18AZ36, FRA18AZ48, FRA18AZ60, FRA14AZ18, FRA14AZ24, FRA14AZ30, FRA14AZ36, FRA14AZ42, FWA14AZ18, FWA14AZ24, FWA14AZ30, FWA14AZ36, FWA14AZ42, FRA13NZ18, FRA13NZ24, FRA13NZ30, FRA13NZ36, FRA13NZ42, FWA13NZ18, FWA13NZ24, FWA13NZ30, FWA13NZ36, FWA13NZ42

Packaged Air Conditioners

- **Qualifications:** ≥ 15.2 SEER2, ≥ 11.5 EER2
- **Eligible Friedrich Equipment:** RACAZS024, RACAZS036, RACXZS048, RACXZS060, RGEAZS024, RGEAZS036, RGEZS048, RGEZS060

Gas, Propane or Oil Furnaces & Fans:

Gas Furnaces

- **Qualifications:** $\geq 97\%$ AFUE
- **Eligible Friedrich Equipment:** FR98MV, FR97MV

AVAILABLE REBATES & ELIGIBLE EQUIPMENT

High Efficiency Electric Home Rebate Program

Consumer Rebates on Qualifying Heat Pumps, Panel Replacements and Electrical Wiring

Program launch is expected no sooner than Q4 2023



Funds apportioned to states based on population formula

Eligible heat pumps systems are ENERGY STAR® certified



States could contract rebate function to 3rd parties for multifamily customers for installation of electrification equipment

Available Rebates Based on Income

< 80% of Area Median Income



Up to \$8,000 for electric heat pumps



Up to \$4,000 for panel replacement



Up to \$14,000 per household

80–150% of Area Median Income



Up to \$4,000 for electric heat pumps



Up to \$2,000 for panel replacement



Up to \$7,000 per household

Friedrich Equipment Eligible for the Electric Home Rebate Program

IMPORTANT: Listed eligible models are based on ENERGY STAR® 6.1 Performance Criteria as of 12/15/22.

Split Heat Pumps⁵:

FRP15AZ

FWP15AZ

RD17AZ

FAQS & IMPLICATIONS – ALL PROGRAMS

Q: How does the IRA legislation affect Friedrich contractors?

A: Contractors now have another benefit to present to customers when selling high-efficiency equipment: savings with tax credits or rebates.

Q: How does the IRA legislation affect homeowners?

A: The new legislation incentivizes the purchase of higher efficiency HVAC equipment by making it more affordable.

Q: Is the \$2,000 tax credit for a heat pump system conditioned on replacing a central air conditioner and furnace?

A: No, replacement systems are eligible, and consumers who choose to replace an existing heat pump with a new heat pump can claim the credit.

Q: When will the High Efficiency Electric Home Rebate Program launch?

A: The Department of Energy is expected to issue rebate program rules in Q2 2023, and we expect the states to set up rebate programs for state constituent participation in Q4 of 2023.

Q: Can a customer claim both an Energy Efficient Home Improvement tax credit and a rebate through the High Efficiency Electric Home Rebate Program?

A: There is no statutory prohibition on a customer claiming both a credit and rebate, but the US Treasury Department must issue final implementing rules on incentive layering.

Q: How can I determine my eligibility to access a rebate through the High Efficiency Electric Home Rebate Program?

A: The US Department of Energy [State & Community Energy Programs Office](#) provides consumers with additional information on the High Efficiency Electric Home Rebate Program, including income qualification rules.

Long-Term Implications of the Inflation Reduction Act

The long-term nature of the IRA, and expected changes in future minimum efficiency levels qualifying for the consumer tax credits, require planning for the implications of these changes. Looking ahead, sellers of HVAC systems should be ready for:

- An increase in sales of high-efficiency systems
- Increased interest in heat pumps
- Increased need for inventory and storage of higher efficiency systems

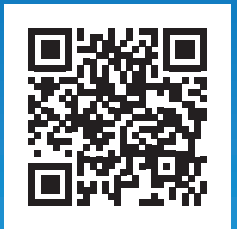
When it comes to state-specific rebates, we recommend paying close attention to industry news in your area, as many programs will likely develop over time. Contact your state energy offices to gather details on local rebate programs.

WHY CHOOSE FRIEDRICH

As part of a commitment to designing products that do good by our customers, partners, employees—and planet, Friedrich has always offered high-efficiency products. And thanks to the Inflation Reduction Act of 2022, consumers have a renewed interest in these products. We encourage you to stay informed and ready to communicate the potential tax credits, necessary efficiency requirements and how Friedrich products meet those criteria.



For continued updates on these tax incentives and other changes for 2023 and 2025, visit [Friedrich.com/HVACKnowZone](https://www.friedrich.com/HVACKnowZone)



¹Visit ahridirectory.org to obtain an AHRI certificate with the system combinations' efficiency ratings to confirm tax credit qualifications. ²North states include Alaska, Colorado, Connecticut, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming. ³Southeast states include Alabama, Arkansas, Delaware, Florida, Georgia, Hawaii, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and the District of Columbia, US Territories. ⁴Southwest states include Arizona, California, Nevada and New Mexico. ⁵The models qualify only when installed as part of a matched system combination that meets 2023 ENERGY STAR[®] criteria.

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