



TaxNewsFlash

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Notice 2023-59: Guidance on qualification of home energy audits for energy efficient home improvement credit under section 25C

The IRS today released an advance version of [Notice 2023-59](#) [PDF 106 KB] announcing forthcoming proposed regulations addressing the requirements for home energy audits with respect to the energy efficient home improvement credit under section 25C, as amended by H.R. 5376 (commonly called the “Inflation Reduction Act” (IRA)).

- Sections 2 and 3 of the notice provide relevant background and definitions with respect to the section 25C credit
- Section 4 specifies the requirements that the forthcoming proposed regulations would set forth for qualifying as a home energy auditor for purposes of the section 25C credit
- Sections 5 and 6 specify the substantiation requirement, and a transition rule that the forthcoming proposed regulations would establish for taxpayers claiming the section 25C credit with respect to home energy audits conducted during tax years ending after December 31, 2022, and conducted on or before December 31, 2023

The Treasury Department and IRS intend to propose that the forthcoming proposed regulations would apply to taxable years ending after December 31, 2022. Until the issuance of the forthcoming proposed regulations, taxpayers may rely on the rules described in sections 3 through 6 of the notice.

As described in a related IRS release—[IR-2023-140](#) (August 4, 2023)—the IRA created several clean energy credits, including a non-refundable energy efficient home improvement credit for the purchase and installation of certain energy efficient improvements in taxpayers’ principal residences. The credit amount is equal to 30% of the total amount that taxpayers pay during the year for:

- Qualified energy efficiency improvements installed during the year
- Residential energy property expenditures
- Home energy audits

Notice 2023-59 provides specific requirements to claim the home energy improvement credit and the process for conducting the home energy audit. The audit must identify the most significant and cost-effective energy efficiency improvements to the residence, including an estimate of the energy and cost

savings to each improvement. The maximum credit for home energy audits is \$150; therefore, taxpayers can claim a 30% credit on audits that cost up to \$500.

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