





The 25C tax credit is a nonrefundable personal tax credit. That means it can only be used to decrease or eliminate the federal tax liability of the homeowner in the year the insulation improvement is made. A taxpayer does not receive a credit in the form of a payment for any amount that exceeds the taxpayer's tax liability for the year.

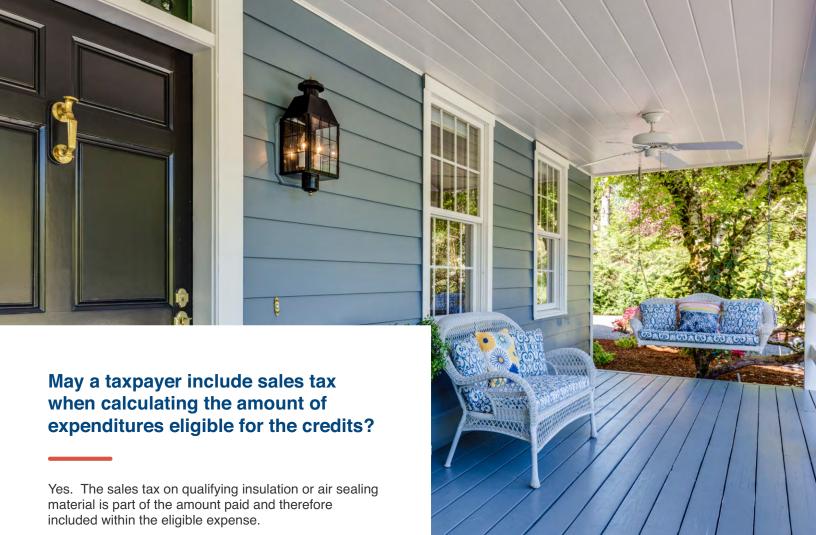
# Are the credits available for improvements made to a second home or an investment property?

Improvements made to a second home or investment property are not eligible for the credit. Qualifying improvements must be made to the taxpayer's principal place of residence.

## Can a taxpayer claim the credits for expenditures incurred for a newly constructed home?

No. The tax credit is limited to insulation and air sealing improvements made to an existing home or for an addition or renovation to an existing home.

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## If labor is not an eligible expense under the 25C credit, what is considered an eligible expense?

The 25C tax credit applies to installed insulation and air sealing materials designed to reduce building heat loss or gain but does not apply to labor costs associated with its installation (labor has never been an eligible expense under the 25C tax credit). For an insulation upgrade for which a taxpayer pays a fixed price, the contractor should make a reasonable estimate of the qualifying cost of the insulation materials and the nonqualifying labor cost of the project. Nonqualifying labor expenses might reasonably be determined by estimating the total hourly wages paid to the installer(s) for project installation.

#### What does it mean to meet the 2021 IECC for credit eligibility?

Insulation materials and air sealing materials must meet the criteria set by the International Energy Conservation Code ("IECC") standard in effect at the start of the year that is two years prior to the year the materials are placed in service. For projects completed in 2023, that means complying with the prescriptive requirements of the 2021 IECC. The prescriptive table of the 2021 IECC establishes ceiling, wall, and floor insulation R-value requirements. The IECC sets requirements for new construction, so strict compliance with its insulation provisions may be unachievable in existing buildings. Best efforts should be made to meet the insulation levels set by the 2021 IECC for each area of the home being upgraded. The credit does not require air leakage testing or third-party certification of compliance.



Is a certificate of insulation product

While there are product identification number reporting requirements for certain 25C eligible products beginning in 2025, there are no such requirements imposed on insulation or air sealing materials.

#### Insulation Institute KNOWLEDGE, LEADERSHIP, CONFIDENCE.

NAIMA is the association for North American manufacturers of fiberglass, rock wool, and slag wool insulation products. Its role is to promote energy efficiency and environmental preservation through the use of fiberglass, rock wool, and slag wool insulation, and to encourage the safe production and use of these materials. Through the Insulation Institute™, we leverage the collective insulation expertise of our organization and our members to empower homeowners and professionals to make informed insulation choices. Our mission is to enable a more comfortable, energy-efficient and sustainable future through insulation — and we are constantly working with building professionals, homeowners, government agencies, and public interest, energy and environmental groups to realize that vision.

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