

Contractor Information Document: 25C tax credits for insulation and air sealing materials provided to a customer

This document is not a legal document but a summary of information received from multiple sources across the country. This is being presented by Northeast Energy Efficiency and Electrification Council (NEEEEC).

The 25C tax credits are available to customers who receive insulation and air sealing measures from a contractor and pays for this work to be done. The tax credits are only available for the materials used in the delivery of these services. We are providing information on how best to provide this information but they are not official legal documents.

1. The tax credit for these materials used in an insulation or air sealing measure installation have existed since 2005 but was increased from 10% to 30% in the IRA legislation and take effect for work done after January 1, 2023.
2. The contractor needs to provide the customer with specific information on the cost of the materials used in either insulation or air sealing work that the customer will be paying for the overall measure.
3. Material costs can be identified separately between the two measures performed or packaged together.
4. Material cost information provided to the customer is based on the contractors determination but does not need to be itemized by the cost that they incurred in purchasing the materials but only a cost allocated to the customer.
5. Many contractors are using a standard % of the overall job cost based on average estimates for example several contractors have estimated insulation and air sealing costs at between 35% and 40% of total measure cost and use those % to present the cost to the customer. This is not a mandated approach and contractors can and should develop their own standard % or itemize their costs to secure and deliver the materials.
6. This information needs to be provided to customers upon payment for the overall measure.
7. Locations where there are significant incentives for the work being done provided by an energy efficiency program have been reviewed and feedback from several program administrators has confirmed that they support that the material cost information can be fully allocated to the cost that customers are paying after the incentive.
8. Contractors may use a customer information document such as one attached to this document or just added to an invoice as additional information.