

# A GUIDE TO THE GEOTHERMAL FEDERAL TAX INCENTIVES

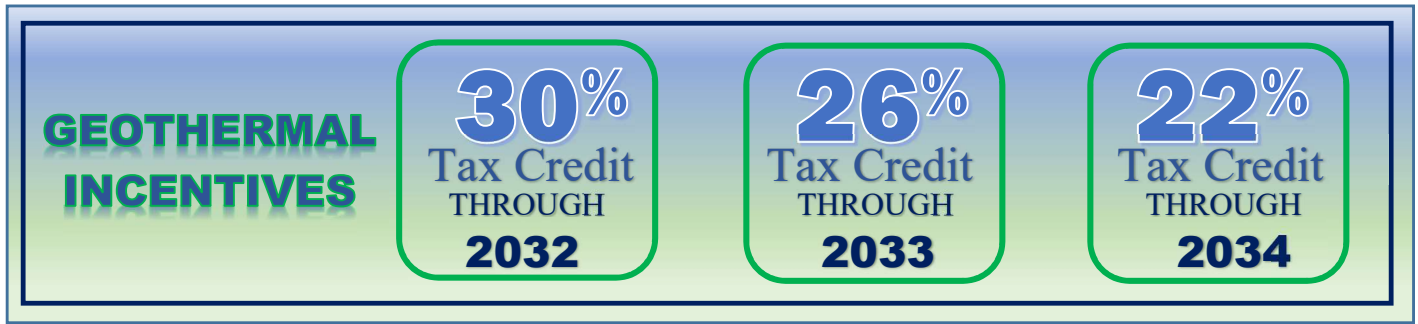
FOR RESIDENTIAL AND COMMERCIAL GEOTHERMAL HEAT PUMPS



**WATERLESS® GEOTHERMAL HEATING & COOLING**  
**SIMPLE • EFFICIENT • EFFECTIVE**

# Geothermal Tax Incentives

## Inflation Reduction Act (IRA)



As of August 2022 the environmental benefits of geothermal has resulted in many newly passed federal Investment Tax Credits (ITC) for both residential and commercial geothermal systems. These renewable energy incentives apply to installations between January 1, 2022 through 2032 before reducing the percentage in 2033 and ending in 2034. A detailed breakdown of the Federal Tax Credit(s) are as follows:\*

### \*Residential & Commercial Incentives:

- Incentives apply to geothermal installations taking place anywhere throughout the United States.
- There is no cap to the total amount of the tax credit.
- Geothermal incentives can be combined with solar and other clean energy tax incentives.
- Tax credits are generally nonrefundable meaning the allowable credit cannot exceed the total tax liability for any given year.
- Any disallowed (nonrefundable) tax credits can be carried forward to future years.

### \*Residential Incentives (IRC Sec. 25D):

- 30% Tax Credit for installations through 2032
- 26% Tax Credit for installations through 2033
- 22% Tax Credit for installations through 2034
- Can be used to offset Alternative Minimum Tax (AMT)

### \*Commercial Incentives (IRC Sec. 48):

- 6% Base Tax Credit for installations through 2032
- Other Bonus credits up to 50%
  - 5x Bonus Credit (6% x 5 = 30%) if the project is less than 1 MW (approx. 284 tons) OR Installed meeting the Prevailing Wage AND Apprenticeship requirements (IRS Notice 2022-61)
  - 2% Domestic Content Bonus Credit (Increases to 10% with the 5x Bonus Credit)
  - 2% Energy Community Bonus Credit (Increases to 10% with the 5x Bonus Credit)
- Many Non-taxable entities (Government, Local, & 501c3 Entities, etc.) are eligible for a Direct Payment of these Tax Credits (Section 6417) or can sell them if ineligible for Direct Payment.

### \*Commercial Incentives (Depreciation and IRC Sec. 179D):

- 5-year accelerated depreciation and a 1-year bonus depreciation
- Up to \$5.00 per square foot tax deduction for projects meeting the Prevailing Wage AND Apprenticeship requirements (Section 179D)

**\*This information is not meant to constitute tax advice. Consult with your accountant or tax advisor to determine your eligibility and the details of these credits**

## What is Eligible

The Residential Clean Energy Property Credit is a tax credit for certain qualified expenditures made by a taxpayer for energy efficiency property eligible under the Inflation Reduction Act of 2022. Geothermal equipment must be Energy Star Certified to qualify for the tax credit. Consult with your accountant or tax advisor for guidance on claiming the tax incentives.

## State & Local Geothermal Tax Incentives Available:

There may be additional financial incentives available on top of the federal incentives. These incentives may vary from one region to another. Visit the Database of State Incentives for Renewables & Efficiency® (DSIRE) website [www.dsireusa.org](http://www.dsireusa.org) to see all Rebates and Incentives available in your area.

To show incentives that ONLY apply to installing a geothermal system, filter the search results by clicking on the state that applies to your region on the U.S. map. Then click on “Geothermal” in the menu of the technologies listed across the top of the page.

The screenshot shows the DSIRE website interface. At the top, there is a navigation bar with links for Home, Programs, Resources, Services, Help/Support, About Us, DSIRE Insight, and Get Solar Quotes. Below the navigation bar is a map of the United States. A red box highlights the state of Ohio, with a red arrow pointing to it. A tooltip over Ohio indicates "Ohio Policies & Incentives: 44". A red box with the text "Step 1. Click on your 'State'" is positioned over the map. Below the map, the "Programs" section is visible. A red box highlights the "geothermal" link in the navigation menu, with a red arrow pointing to it. The text "Step 2. Click on the 'geothermal' title" is positioned over this link. Below the navigation menu, the page displays "Ohio renewable energy and energy efficiency" and a paragraph of text starting with "Ohio renewable energy and energy efficiency programs across a wide range of technology types. Programs are available f". Below this, there is a section titled "A history of renewable energy and energy efficiency in Ohio" followed by a paragraph of text starting with "structured its electric industry. As a part of that restructuring, Ohio's original net metering law was passed. At first".

## “A” Series Forced Air Single Stage Features

- ✔ Refrigerant Based (Water-free) Geothermal Heat Pump
- ✔ Single Stage Forced Air DX Heating & Cooling
- ✔ Environmentally Friendly R-410A Refrigerant
- ✔ Analog electrical controls
- ✔ Standard Mechanical Refrigerant Controls
- ✔ High Efficiency Copeland Scroll compressor
- ✔ Compressor Protection Sensor
- ✔ Ground Loop Protection System
- ✔ Pre-Engineered Copper Earth Loops
- ✔ Powder Coated Indoor or Outdoor Cabinet
- ✔ Quiet Sound Package
  - Soft Mount Compressor
  - Noise Reduction Muffler
  - Fully Insulated Cabinet



A Series - Single Stage



### Optional Upgrades

- ✔ Desuperheater:
- ✔ Soft Start Device

## “A” Series Forced Air Two Stage Features

- ✔ Refrigerant Based (Water-free) Geothermal Heat Pump
- ✔ Two Stage Forced Air DX Heating & Cooling
- ✔ Environmentally Friendly R-410A Refrigerant
- ✔ Smart Logic Controller
  - 2 Stage Controller
  - Air Zoning Friendly
  - Dual Fuel Friendly
  - Enhanced Compressor Protection
- ✔ Standard Mechanical Refrigerant Controls
- ✔ High Efficiency Copeland Scroll compressor
- ✔ Compressor Protection Sensor
- ✔ Ground Loop Protection System
- ✔ Pre-Engineered Copper Earth Loops
- ✔ Powder Coated Indoor or Outdoor Cabinet
- ✔ Quiet Sound Package
  - Soft Mount Compressor
  - Noise Reduction Muffler
  - Fully Insulated Cabinet



A Series - Two Stage



### Optional Upgrades

- ✔ Desuperheater:
- ✔ Soft Start Device

## “M” Series Multi-function Forced Air Features

- ✔ Refrigerant Based (Water-free) Geothermal Heat Pump
- ✔ Multi-Functional Capabilities
  - Single or Two Stage Forced Air DX Heating & Cooling
  - Hydronic Heat Circuit
    - 100% Domestic Hot Water or Radiant Heat Circuit
- ✔ Environmentally Friendly R-410A Refrigerant
- ✔ Smart Logic Controller
  - Hydronic Spilt Zoning
  - 2 Stage Controller
  - Air Zoning Friendly
  - Dual Fuel Friendly
  - Enhanced Compressor Protection
- ✔ Standard Mechanical Refrigerant Controls
- ✔ High Efficiency Copeland Scroll compressor
- ✔ Compressor Protection Sensor
- ✔ Ground Loop Protection System
- ✔ Pre-Engineered Copper Earth Loops
- ✔ Powder Coated Indoor or Outdoor Cabinet
- ✔ Quiet Sound Package
  - Soft Mount Compressor
  - Noise Reduction Muffler
  - Fully Insulated Cabinet



M Series



### Optional Upgrades

- ✔ Soft Start Device

## “H” Series Hydronic Unit Features

- ✔ Refrigerant Based (Water-free) Geothermal Heat Pump
- ✔ Single Stage Hydronic Heating & Cooling
  - Heated & Chilled Water
- ✔ Unlimited Zoning Capabilities
- ✔ Environmentally Friendly R-410A Refrigerant
- ✔ Smart Logic Controller
  - Intelligent Staging of Pump & Compressor
  - Enhanced Compressor Protection
- ✔ Standard Mechanical Refrigerant Controls
- ✔ High Efficiency Copeland Scroll compressor
- ✔ Compressor Protection Sensor
- ✔ Ground Loop Protection System
- ✔ Pre-Engineered Copper Earth Loops
- ✔ Powder Coated Cabinet for Indoors
- ✔ Quiet Sound Package
  - Soft Mount Compressor
  - Noise Reduction Muffler
  - Fully Insulated Cabinet



H Series



### Optional Upgrades

- ✔ Desuperheater:
- ✔ Soft Start Device