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the amount of the rebate, the IRS said last week.

Jason Bramwell • Apr. 09, 2024



The IRS last week addressed the federal income tax treatment of amounts paid for the purchase of energy-efficient property and improvements.

Taxpayers who receive “rebates”—described in 2022’s Inflation Reduction Act as performance-based incentives and electrification product subsidies—for the purchase of energy-efficient homes won’t include the value of those rebates as

income on their tax returns, according to [Announcement 2014-19](#) which was issued

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Home Energy Rebate Programs is not included in a purchaser's cost basis under § 1012. For example, if a \$500 rebate is provided at the time of sale of eligible property with a sales price (before the rebate) of \$600, then the purchaser's cost basis in the property is only \$100 (not \$600).

To the extent a rebate is provided at a later time, the amount of the rebate constitutes an adjustment to basis under § 1016. See section 1016(a)(1) (proper adjustment in respect of property shall in all cases be made for expenditures, receipts, losses, or other items, properly chargeable to capital account). For example, if a purchaser spends \$600 to purchase eligible property in 2023 but later receives a \$500 rebate, then the purchaser's cost basis in the property is reduced from \$600 to \$100 when the rebate is provided to the purchaser.

Accordingly, the consumer that receives an Inflation Reduction Act rebate will not be required to report the value of the rebate as income, the IRS said.

Additional information about energy-related tax benefits under the Inflation Reduction Act, such as energy efficient homes, can be found on [IRS.gov](#).

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