

Less Than 3% of Homeowners Took Advantage of Clean Energy Tax Credits in 2023

The Biden Administration's Inflation Reduction Act (IRA) included generous incentives to homeowners who invest in clean energy (such as solar panels) or in energy improvements (such as improved insulation, windows or doors).

Only 3.4 million households took advantage of those tax credits nationwide on their 2023 tax returns. That was just under 2.5% of filed tax returns. In Colorado, the number was 65,810 households, or 2.9% of tax returns filed. The states with the largest participation were California, Florida and Texas, but only Florida saw over 3% of tax returns that included the tax credit (3.26%), and the other two states had rates lower than Colorado's.

The intention of the program is to benefit working families and small businesses to lower their utility expenses by improving the energy

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By JIM SMITH Realtor®

efficiency of their homes and offices. That seems to be the result, since 15 percent of the 3.4 million nationwide returns which took advantage of the tax credit had Adjusted Gross Incomes under \$50,000. Just under half of the returns had AGIs under \$100,000. The largest bracket was AGIs of \$100-200,000, which numbered 1.2 million returns or 35% of all filed returns.

A total of \$8.4 billion in tax credits was claimed by taxpayers. The program is still active, and any taxpayer who wants to reduce his or her home's operating costs should seriously consider taking advantage of the tax credits, which remain in place through 2032. I have posted a link for the IRA's provisions at <http://RealEstateToday.substack.com>.

Although the credits vary from one improvement to another, it is generally 30% on the cost of the

improvement, including labor. The most popular improvement is solar photovoltaic installations, claimed by 752,300 households nationwide. The second most popular improvement was insulation, followed by exterior windows and skylights, then central air conditioners.

Heat pump HVAC systems and heat pump water heaters were also a popular improvement, claimed by 267,780 and 104,180 households respectively.

Just under \$1 billion in tax credits were claimed by 80,730 taxpayers for the installation of geothermal

heat pump systems. The average tax credit taken for those systems was \$12,078.

One of the smallest amounts, totaling \$55.4 million in tax credits, was claimed by 36,820 households nationwide for my favorite investment — energy audits.

The average tax credit for home energy improvement such as solar panels, solar water heating and home battery installations was \$5,084. The average credit for improvement in energy efficiency, such as better windows, air sealing and heat pumps, was \$882.

We Need to Level-Up Sustainability & Recycling

Have you heard of toilet paper made from bamboo? I hadn't either, but when I read the pitch for it, I had to try it. Regular toilet paper is made, like other paper, from trees. But trees grow back slowly, whereas bamboo is famous for growing quickly. It would be a lot better for the planet if everyone switched to bamboo toilet paper. Rita and I received our first order last week, and we are sold on it. It's the only toilet paper we'll buy from now on. It is available online from both Amazon and Costco.com.

I made another discovery recently. Those plastic jars you buy for everything from yogurt to milk and milk substitutes are wrapped in plastic that must be removed in order to recycle the bottle.

Above is a picture of two quart bottles, plus a third in the middle with its label removed. The back of the milk bottle contains this notice:

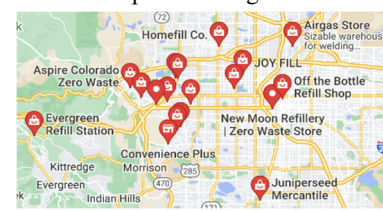


It's common practice in our home now to cut those plastic wrappers off and trash them before putting the bottles in the recycling bin. Some bottles, such as Activia's Probiotic Dailies, have a marked "zipper" on them, making it easy. Others don't even tell you that the wrapper must

be removed, and you need a pointed knife to remove the wrap.

When we were in New Zealand in February, I saw a bicycle in the window of a Nespresso storefront. Looking closer, there was a sign on it saying that the bike's aluminum frame was made from recycled Nespresso pods. We have one of Nespresso's coffee makers, and now we keep one of their free postage paid recycling bags under the counter in our kitchen. Call **855-325-5781**, and they'll mail you some. (K-cups can be recycled curbside after you remove the lid and contents.)

Do you want to help reduce the amount of single-use plastic? It's becoming popular for restaurant-goers to bring Tupperware containers with them for leftovers. Rita does that. Also, there's increasing popularity of "refill shops" where you bring your own bottles or containers to refill with bulk liquid or dry groceries. Here's a map from Google.



What to Ask When Buying a Solar-Powered Home

I have always said that the most affordable way to "go solar" is to buy a home that's already solar-powered. The reason is that the price differential on a home that's solar-powered versus a home that is not is minimal. (Don't invest in solar if you're not keeping your home at least 5 to 10 years, because you won't recover the cost of your investment when you sell your home.)

So, let's say you are buying a

solar-powered home. Most of what you need to know should be on the MLS. Is the system owned or leased, or is it owned by a 3rd party which sells the electricity to the home owner under a Power Purchase Agreement (PPA)? The MLS says when it was installed and how big it is (in kilowatts), but you'll need to find out if it still performs efficiently. You might want to hire a solar-savvy agent like me to represent you in your purchase.

Today's the Day: Commission Splits Are Off the MLS

August 15th is the day our MLS set for removing buyer agent compensation from all listings in compliance with the March 15th NAR settlement. NAR had set the deadline for Aug. 17.

August 15th is also the date that new contracts consistent with the settlement become mandatory in Colorado. I wrote about them on August 1st. (see www.JimSmithColumns.com.)

Theoretically, home buyers will start paying the brokers who represent them in the purchase of real estate, but **I will be surprised if a single home buyer pays anything at all for professional representation.** That's because most sellers will agree to offer compensation, leaving any seller who does not offer compensation in an untenable position — no buyer will want to make an offer on homes that require them to pay their agent.

Keep in mind that most buyers are

already heavily burdened in the transaction to buy a home, especially when they finance their purchase with a mortgage at interest rates above 6%. In addition to paying half the real estate closing fee, buyers pay a loan closing fee. They pay for inspection, appraisal, credit report, loan origination, and the lender's title policy. They pay the first year's home insurance premium and escrow funds to cover next year's property taxes and insurance renewal. They pay recording fees for both the deed and the loan document. Those costs totaled over \$8,000 on a client's \$630,000 purchase.

If sellers want to attract buyers, they will need to offer compensation. It's just that they can't advertise it on the MLS. They'll still let buyers know, either on a home-specific website (like we provide), on a sign rider, or in a brochure box on the yard sign.

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Jim Smith
 Broker/Owner, 303-525-1851
Jim@GoldenRealEstate.com
 1214 Washington Ave., Golden

Broker Associates:
JIM SWANSON, 303-929-2727
CHUCK BROWN, 303-885-7855
DAVID DLUGASCH, 303-908-4835
GREG KRAFT, 720-353-1922
AUSTIN POTTORFF, 970-281-9071
KATHY JONKE, 303-990-7428

In-house Lender: WENDY RENEE, 303-868-1903

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