

How does the One Big Beautiful Act (OBBA) affect the 25C tax credit?



The OBBA, passed in early July 2025, moves up the phase out date of many clean energy incentives, including the 25C Energy Efficient Home Improvement Credit. The 25C credit was previously set to run through the end of 2032. Now, 25C will end after December 31, 2025.

This means that all qualifying insulation and air sealing upgrades need to be completed by the end of this year in order for a homeowner to claim the credit on their 2025 taxes.

Do you need to owe taxes to take advantage of the 25C Energy Efficient Home Improvement Tax Credit?



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 or a refund in the form of a payment for any amount that exceeds the taxpayer's tax liability for the year.

If a homeowner's federal tax liability is less than the amount of tax credit they can claim, can they roll over the balance and apply it to the following year's taxes?



No, any remaining 25C homeowner tax credit balance cannot be carried forward.

Are the tax 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.

May a taxpayer include sales tax when calculating the amount of expenditures eligible for the credits?



Yes. The sales tax on qualifying insulation or air sealing material is part of the amount paid and therefore included within the eligible expense.

Can the 25C homeowner tax credit be combined with other rebates and incentives for the same upgrade?



Yes, homeowners can claim both tax credits and rebates or other incentives for the same insulation and air sealing upgrades. However, the amount of the rebate must be deducted from the qualifying expense total *before* the 30% tax credit is calculated.



What is the total maximum tax credit that can be claimed in any one year for combined insulation, air sealing, and energy audits?

\$1,200—even though there are individual limits for particular energy efficiency home improvements, insulation, air sealing, and energy audits all fall in a broad category of home upgrades that collectively have a \$1,200 annual limit.



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

The 25C homeowner 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 homeowner 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 non-qualifying labor cost of the project.

Here is an example of how non-qualifying labor expenses could be calculated:

- Add up the total number of hours spent on-site installing insulation by each employee.
- Multiple that number by the hourly wage you pay to each of those employees.
- Deduct that number from the final invoice given to the customer.
- The remainder of the invoice is eligible for the 25C homeowner tax credit.



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 2024 and 2025, 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.

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.

This document provides reliable information on the 25C tax credit, but it is offered for informational purposes only. NAIMA is not offering tax advice, and this document is not claiming to have all the information needed to claim tax credits. The information provided in this document should not be relied upon as legal advice on qualifying for tax credits.

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