REWIRING AMERICA

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The Inflation Reduction Act of 2022

Investments for Disadvantaged Communities

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Disadvantaged communities[1] across the United States face unaffordable energy and housing costs, disproportionately higher energy burdens, exposure to poor indoor and outdoor air quality and the worst impacts of our changing climate. Each of these problems on its own poses a danger to the livelihood of millions of households. Together, they exacerbate one another, creating a vicious cycle of vulnerability and risk.

These conditions arise due to the lack of investment in disadvantaged communities, as well as our country's dependence on oil and gas. But there is a better future ahead of us: one where all communities can enjoy the benefits of renewable energy and electric appliances, free from fossil fuels.

To get there, we need to target resources to the communities that need them most. The Inflation Reduction Act of 2022 (IRA) does just that, **investing over $60 billion** in critical clean energy, climate and electrification measures that support disadvantaged communities. Unfortunately, there are other, problematic provisions in the bill that may lead to additional fossil fuel production, including in disadvantaged communities. That said, the bill contains investments that will be transformative for communities that might be impacted by these provisions, as well as communities dealing with the devastating impacts of past and current fossil fuel production.

[1] In this document, the term "disadvantaged communities" is inclusive of the terms "disadvantaged communities," ""underserved communities," ""Indian communities," "Tribal communities," ""Native communities," "rural communities," and "low- and moderate-income communities" as defined in the Inflation Reduction Act of 2022.

This brief outlines the various provisions designated for disadvantaged communities, which include rural communities, Black and Brown communities, low-income communities, native and Tribal communities and legacy energy communities.[2] For electrification specifically, the IRA provides at least $57 billion to enable disadvantaged communities to electrify their homes and neighborhoods. These efforts will spur the creation of hundreds of thousands of good-paying jobs across every zip code in America,[3] while also directly supporting workforce development. By electrifying how households power their cars and homes, heat their air and water, cook their food and dry their clothes, the IRA stands to deliver important economic and health benefits to families and communities.

A household with an efficient electric heat pump for space heating and cooling, a heat pump water heater, one electric vehicle and solar panels would **save $1,800 a year today**.[4] These savings will be reflected in lower monthly energy bills, reduced bill volatility and a lessening of disproportionately high energy burdens within disadvantaged communities. Importantly, these savings add up — so much so that if a household invests their energy bill savings from electrifying their home appliances, these savings will grow to over $30,000 after 10 years and $140,000 after 25 years.[5]

Clean, efficient electric appliances will also eliminate exposure to harmful pollutants and carcinogens from fossil fuel appliances,[6] thereby improving indoor air quality and reducing asthma symptoms by 42 percent.[7] These benefits are critical for disadvantaged communities that have had to confront the bundled burdens of undue exposure to environmental hazards.

[2] The Inflation Reduction Act of 2022 defines "energy communities" as brownfield sites, areas with significant employment in coal, oil, gas extraction or processing since 2000, census tracts where a coal mine closed since 2000 or a coal mine retired since 2010, and adjacent census tracts.
[3] Bringing Infrastructure Home, Rewiring America, 2021.
[4] The Electric Explainer: Key Programs in the Inflation Reduction Act and What They Mean for Americans, Rewiring America, 2022.
[5] Assumes a typical rate of return of eight percent.
[6] Natural Gas Used in Homes Contains Hazardous Air Pollutants, Harvard T.H. Chan School of Public Health, 2022.
[7] Gas Stoves: Health and Air Quality Impacts and Solutions, RMI, 2020.

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Non-Tax Provisions That Invest in Disadvantaged Communities

- *Indicates investments specifically designated for disadvantaged communities.
- **Indicates investments of which at least a portion is designated for disadvantaged communities.
- ***See the Council on Environmental Quality's (CEQ's) definition of disadvantaged communities and its Climate and Economic Justice Screening Tool (CEJST) for more information.
- Gray background indicates provisions that support electrification.

Provision Name	Amount	Eligible Disadvantaged Communities***	Description
High-Efficiency Electric Homes and Rebates Act (Sec. 50122, page 583) Administered by the Department of Energy (DOE)	*$4.5B total appropriations through FY2031 *$225M for Indian Tribes *$4.275B for low- and moderate-income households 3% for DOE administration 20% for state energy offices and Tribes administration	Low- and moderate-income (LMI) households defined as income below 150% of Area Median Income (AMI) Indian Tribes	Rebates for qualified electrification projects • Maximum allowable - $14,000 • Maximum per equipment: ○ Heat pump water heater - $1,750 ○ Heat pump for space heating and cooling - $8,000 ○ Electric stove - $840 ○ Heat pump clothes dryer - $840 ○ Breaker box - $4,000 ○ Insulation, air sealing, ventilation - $1,600 ○ Electric wiring - $2,500 100% of costs covered for households with incomes below 80% of AMI

			50% of costs covered for households with incomes between 80-150% of AMI Eligible multi-family buildings: at least 50% of residents are LMI Costs include equipment purchase and installation Rebates must be passed onto the customer at point of sale; a separate incentive of $500 is available to contractors
Home Energy Performance-Based, Whole House Rebates (Sec. 50121, page 573) Administered by DOE	**$4.3B total appropriations through FY2031 3% for administration	LMI households defined as 80% AMI Underserved areas defined as 1) a community located in a zip code that has 1 or more census tracts that include a low-income community or ethnic minority, or 2) any other community that DOE determines bears a	Rebates for energy efficiency and electrification upgrades in LMI single-family and multi-family buildings with more than 50% LMI occupants • Lesser of $8,000 per home or unit or 80% of the project cost if project achieves energy savings greater than 35% • Lesser of $4,000 per home or unit or 80% of the project cost if project achieves energy savings between 20-35% • Payment rate per kWh saved up to $4,000 for a 20% reduction in energy use for the average home in the state or 80% of the project cost if project achieves energy savings greater than 15% State energy offices are encouraged to use funding from this provision, to the maximum extent practicable, for LMI

		disproportionate burden of any combination of economic, social and environmental stressors	households and are allowed to increase rebates for LMI households, pending DOE approval Contractor incentive: $200 for performing retrofits in homes located in an underserved community
Greenhouse Gas Reduction Fund (Sec. 60103, page 657) Administered by the Environmental Protection Agency (EPA)	**$27B total appropriations through FY2024 *$7B for low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including solar *$8B for LMI and disadvantaged communities **$12B for general assistance $30M for administration	***Low-income and disadvantaged communities	Grants, loans or other financial assistance to non-profit financing institutions to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops, and to carry out other greenhouse gas emission reduction activities Also provides financial and technical assistance in low-income and disadvantaged communities

Improving Energy Efficiency or Water Efficiency or Climate Resilience of Affordable Housing (Sec. 30002, page 558) Administered by the Department of Housing and Urban Development (HUD)	*$1B total appropriations through FY2028 *$837.5M for direct loans *$42.5M for energy benchmarking $120M for administration	Affordable housing Elderly housing Supportive housing for persons with disabilities	Direct loans to fund affordable housing projects that: • Improve energy or water efficiency, indoor air quality or sustainability • Implement the use of low-emission technologies, materials or processes, including zero-emission electricity generation, energy storage or building electrification • Address climate resilience Energy and water benchmarking
Environmental and Climate Justice Block Grants (Sec. 60201, page 694) Administered by EPA	*$3B total appropriations through FY2026 *$2.8B for grants to communities to address environmental and climate injustices *$200M for technical assistance	***Disadvantaged communities Community-based nonprofit organization(s) or community-based nonprofit organization(s) in partnership with an Indian Tribe, local government or institution of	Community-led air and other pollution monitoring, prevention and remediation, and investments in low- and zero-emission and resilient technologies and related infrastructure and workforce development that help reduce greenhouse gas emissions and other air pollutants Mitigating climate and health risks from urban heat islands, extreme heat, wood heater emissions and wildfire events Climate resilience and adaptation Reducing indoor air toxins and indoor air pollution Facilitating engagement of disadvantaged communities in

	7% for administration	higher education	State and Federal public processes, including facilitating such engagement in advisory groups, workshops and rulemakings
USDA Assistance for Rural Electric Cooperatives (Sec. 22004, page 543) Administered by the Department of Agriculture (USDA)	*$9.7B total appropriations through FY2031	Disadvantaged rural communities, as determined by the Secretary	Financial assistance to achieve the greatest reduction in greenhouse gas emissions associated with rural electric systems; eligible use of funds include: ● Financial assistance, including loans and the cost of loans and modifications, to: ○ Purchase and deploy: ■ Renewable energy ■ Renewable energy systems ■ Zero-emission systems ○ Make energy efficiency improvements to electric generation and transmission systems
Rural Energy for America Program (Sec. 22002, page 539) Administered by USDA	*2.025B total appropriations through FY2031 *$1.72B for the Rural Energy for America program *$304M for underutilized	Rural communities	Directs funding to the Rural Energy for America program, which provides financial resources to allow agricultural producers and rural small businesses to install renewable energy systems and make energy efficiency improvements Provides additional funding to install underutilized renewable energy technologies

	renewable energy technologies		
Tribal Electrification Program (Sec. 80003, page 723) Administered by the Bureau on Indian Affairs (BIA)	*$150M total appropriations through FY2031 *$145.5M for home repairs and electrification $4.5M for administration	Tribes and Tribal organizations	Providing electricity to unelectrified homes through zero-emissions energy systems Transitioning electrified Tribal homes to zero-emissions energy systems Associated home repairs and retrofits necessary for installation of zero-emissions energy systems
Tribal Energy Loan Guarantee Program (Sec. 50145, page 608) Administered by DOE	*$75M total appropriations through FY2025	Tribal communities	Provides resources to guarantee loans for Tribal energy investments, which can include: ● Electricity generation, transmission and/or distribution facilities that utilize renewable energy sources ● Distributed energy project portfolios including portfolios of smaller distributed generation and storage facilities ● District heating and cooling facilities $20B loan authority cap; predicted 5:1 capital leverage ratio

Tribal Climate Resilience (Sec. 80001, page 720) Administered by BIA	*$235M total appropriations through FY2031 *$220M for Tribal climate programs *$10M for fish hatcheries $5M for administration	Indian Tribes and Tribal Organizations	Tribal climate resilience and adaptation activities Fish hatchery operations and maintenance
Native Hawaiian Climate Resilience and Adaptation (Sec. 80002, page 722) Administered by BIA	*$25M total appropriations through FY2031 *$23.5M for financial and technical assistance $1.5M for administration	Native Hawaiian Communities	Carry out climate resilience and adaptation activities through financial assistance, technical assistance, direct expenditures, grants, contracts or cooperative agreements
Climate Pollution Reduction Grants (Sec. 60114, page 687)	**$5B total appropriations through FY2026 **$250M for	***Low-income and disadvantaged communities	Planning and implementation of programs, policies, measures and projects that will achieve or facilitate the reduction of greenhouse gas air pollution Applications for funding must include information regarding

Administered by EPA	planning **$4.75B for implementation 3% for administration		the degree to which greenhouse gas air pollution is projected to be reduced, including with respect to low-income and disadvantaged communities
Funding to Address Air Pollution at Schools (Sec. 60106, page 667) Administered by EPA	*$50M total appropriations through FY2031 *$37.5M for monitoring and reducing greenhouse gas emissions *$12.5M for technical assistance	***Low-income and disadvantaged communities	Grants and other activities to monitor and reduce air pollution and greenhouse gas emissions at schools in low-income and disadvantaged communities Technical assistance to schools in low-income and disadvantaged communities to: • Address environmental issues • Develop school environmental quality plans that include standards for school building, design, construction, and renovation • Identity and mitigate ongoing air pollution hazards
Diesel Emissions Reductions (Sec. 60104, page 663) Administered by	*$60M total appropriations through FY2031 2% for administration	***Low-income and disadvantaged communities	Grants, rebates, and loans to: • Identify and reduce diesel emissions resulting from goods movement facilities, and vehicles servicing goods movement facilities in low-income and disadvantaged communities

EPA			• Address the health impacts of related emissions on such communities
Grants to Reduce Air Pollution at Ports (Sec. 60102, page 653) Administered by EPA	**3B total appropriations through FY2027 **$2.25B for competitive financial assistance **750M for non-attainment areas	***Low-income and disadvantaged communities	Rebates and grants to, among other things, develop a qualified climate action plan, that: • Establishes goals, implementation strategies and accounting and inventory practices to reduce emissions at one or more ports • Includes a strategy to collaborate with, communicate with and address potential effects on stakeholders that may be affected by implementation of the plan, including low-income and disadvantaged communities • Describes how an eligible recipient has implemented or will implement measures to increase the resilience of the one or more ports involved
Funding to Address Air Pollution (Sec. 60105, page 663) Administered by EPA	**$280.5M total appropriations through FY2031 *$3M for air quality sensors	***Low-income and disadvantaged communities	Grants and other activities to deploy, integrate and operate air quality sensors in low-income and disadvantaged communities

Low-Emissions Electricity Program (Sec. 60107, page 668) Administered by EPA	**$87M total appropriations through FY2031 *$17M for low-income and disadvantaged communities **$70M for activities related to greenhouse gas emissions reduction 2% for administration	***Low-income and disadvantaged communities	For education and partnerships with respect to reductions in greenhouse gas emissions that result from electricity generated and used in the U.S., as well as outreach, technical assistance and enforcement activities related to greenhouse gas emissions reductions
Funding for Section 211(O) of the Clean Air Act (Sec. 60108, page 670) Administered by EPA	*$15M total appropriations through FY2031 *$5M for testing and evaluation	***Low-income and disadvantaged communities	To carry out Section 211(O) of the Clean Air Act with respect to, among other things, the review, analysis, and evaluation of the impacts of all transportation fuels, including life cycle implications, on the general public and low-income and disadvantaged communities
Methane Emissions and Waste	**$850M total appropriations	***Low-income communities and	Grants, rebates, contracts, loans and other activities to reduce methane and other greenhouse gas emissions from

Reduction Incentive Program for Petroleum and Natural Gas Systems (Sec. 60113, page 678) Administered by EPA	through FY2031	disadvantaged communities	petroleum and natural gas systems, and mitigate legacy air pollution from petroleum and natural gas systems n low-income and disadvantaged communities
Neighborhood Access and Equity Grant Program (Sec. 60501, page 699) Administered by the Federal Highway Administration (FHA)	**$3.045B total appropriations through FY2026 *$1.11B for disadvantaged or underserved communities **$1.89B for grants to improve transportation facilities **42.15M for technical assistance	Economically disadvantaged, including underserved communities or communities located in an area of persistent poverty	Improve walkability, safety and affordable transportation access through construction projects that are context sensitive Mitigate or remediate negative impacts on the human or natural environment resulting from a polluting transportation facility in a disadvantaged or underserved community For planning and capacity-building activities in disadvantaged communities

Emergency Drought Relief for Tribes (Sec. 80004, page 724) Administered by BIA	*$12.5M total appropriations through FY2026	Indian Tribes	Near-term drought relief actions and direct financial assistance to address drinking water shortages and mitigate the loss of Tribal trust resources

Tax Provisions that Invest in Disadvantaged Communities

- Gray background indicates provisions that support electrification.

Provision	Eligible Disadvantaged Community	Description

45L - Extension, Increase, and Modifications of New Energy Efficient Home Credit
 	
(Sec. 13304, page 360)
 	
Administered by the Internal Revenue Service (IRS)
	Affordable housing	Provides tax credits to single-family and multi-family housing
		• Single-family or manufactured homes:
		  ○ $2,500 for homes meeting EPA's ENERGY STAR requirements
		  ○ $5,000 for homes meeting DOE's Zero Energy Ready Homes (ZERH)
		• Multi-family homes:
		  ○ Meet prevailing wage requirements in construction:
		  ■ $2,500 for homes meeting EPA's ENERGY STAR requirements
		  ■ $5,000 for homes meeting DOE's ZERH
		  ○ Otherwise:
		  ■ $500 for homes meeting EPA's ENERGY STAR requirements
		  ■ $1,000 for homes meeting DOE's ZERH
		
		Affordable housing buildings that are built or retrofitted utilizing the

		Low-Income Housing Tax Credit (LIHTC) can use the 45L tax credit without a basis adjustment
30D - Clean Vehicle Credit (Sec. 13401, page 366) Administered by IRS	Individuals with Adjusted Gross Incomes (AGI) below $150K, heads of household with AGI below $225K and joint filers with AGI below $300K	Provides $7,500 credit for purchase of new electric vehicles (EVs) with a manufacturer's suggested retail price (MSRP) limit of $55K for sedans and $80K for vans, trucks and sport utility vehicles
25E - Credit for Previously-Owned Clean Vehicles (Sec. 13402, page 387) Administered by IRS	Individuals with AGI below $75K, heads of household with AGI below $112.5K and joint filers with AGI below $150K	Provides a credit of the lesser of 30% of sale price or $4,000 for used EVs that are at least two model years before the calendar year of purchase, are under 14,000 pounds in weight and have an MSRP limit of $25,000
30C - Alternative Fuel Refueling Property Credit (Sec. 13404, page 398) Administered by IRS	Rural areas and communities low-income communities	Provides a tax credit to any EV charger installed in rural areas and low-income communities Does not apply to chargers installed in urban areas

45Y - Clean Electricity Investment Credit (Sec. 13702, page 464) Administered by IRS	Low-income communities	Creates a new, technology-neutral, 10-year investment tax credit (ITC) in 2025 for energy generation facilities or energy storage technologies 0.3 cents/kWh base rate; 1.5 cents/kWh bonus rate for prevailing wage and apprenticeship requirements Boosts the tax credit by: • 10% for electricity generation facilities in low-income communities • 20% for energy storage technology in low-income communities
48 - Energy Credit for Solar and Wind Facilities in Connection with Low-Income Communities (Sec. 13103, page 276) Administered by IRS	Low-income communities Low-income households: income below 200% of federal poverty line or below 80% AMI Tribal communities	Boosts the investment tax credit (ITC) by: • 10% for solar and wind facilities that serve low-income communities • 20% for projects where at least 50% of the financial benefits accrue to low-income households ITC: 6% base rate; 30% bonus rate for prevailing wage and apprenticeship requirements

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Tax Provisions that Offer a Just Transition for Former Fossil Fuel Workers

- Gray background indicates provisions that support electrification.
- The Inflation Reduction Act of 2022 defines "energy communities" as brownfield sites, areas with significant employment in coal, oil, or gas extraction or processing since 2000, census tracts where a coal mine closed since 2000 or a coal mine retired since 2010, and adjacent census tracts.

Provision	Description
45 - Extension and Modification of Credit for Electricity Produced from Certain Renewable Resources (Sec. 13101, page 232) Administered by IRS	Extends the current production tax credit (PTC) through 2024 for electricity produced from renewable resources 0.3 cents/kWh base rate; 1.5 cents/kWh bonus rate for prevailing wage and apprenticeship requirements Boosts the tax credit by 10% for projects in energy communities
48 - Extension and Modification of Energy Credit (Sec. 13102, page 254) Administered by IRS	Extends the current investment tax credit (ITC) through 2024 for electricity produced from renewable resources 6% base rate; 30% bonus rate for prevailing wage and apprenticeship requirements Boosts the tax credit by 10% for projects in energy communities
48C - Extension of the Advanced Energy Project Credit	Revives the 30% tax credit for re-equipping and greening manufacturing facilities beginning in 2023

(Sec. 13501, page 406) Administered by IRS	$10B of tax credits $4B reserved for energy communities
45Y - Clean Electricity Production Credit (Sec. 13701, page 442) Administered by IRS	Creates a new, technology-neutral, 10-year PTC for clean electricity in 2025 0.3 cents/kWh base rate; 1.5 cents/kWh bonus rate for prevailing wage and apprenticeship requirements Boosts the tax credit by 10% for projects in energy communities
48D - Clean Electricity Investment Credit (Sec. 13702, page 464) Administered by IRS	Creates a new, technology-neutral, 10-year ITC for clean electricity in 2025 6% base rate; 30% bonus rate for prevailing wage and apprenticeship requirements Boosts the tax credit by 10% for projects in energy communities

For more information:

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