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Last Chance For Federal Green Home Incentives – Act Now To Save Money

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This sustainable, custom luxury home benefitted from federal incentives now set to expire.
CARBON CUSTOM BUILDERS / JON DAY PHOTOGRAPHY

Were you planning on adding solar panels to your home, replacing an old gas water heater with a new heat pump model or making other energy-saving improvements? You might have been counting on federal energy incentives to help pay for these upgrades. If so, you need to act quickly, as they're phasing out over the next year. That can make these projects much more expensive, even with [state incentives](#) remaining in place where available and the resulting reductions to your energy bill. Here's what you need to know to maximize your savings on energy efficient home improvements.

Energy Incentives

“Our clients have saved anywhere from \$10,000 to hundreds of thousands depending on the specific incentive and the life span of the energy savings,” shares suburban New York sustainable luxury builder Sam Fertik of [Carbon Custom Builders](#). “The savings go beyond the upfront costs: choosing to install these efficient systems not only reduces environmental impact but increases property values and significantly decreases the costs of ongoing utility bills.”

“The home I built for my family in Pound Ridge, New York, and all 15 of our in-progress projects have benefited from green energy incentives,” Fertik adds. The geothermal tax credit, which allows homeowners to claim 30% of the total cost of installing a geothermal heat pump system, and the solar tax credit, which similarly allows for a 30% deduction for the cost of installing a solar energy system, have lowered his clients’ costs for these green features.

Awareness Deficit

“The Inflation Reduction Act provided tax incentives for energy efficiency initiatives, which, at the time, were deemed significant,” recalls Chris Beard, vice president of building products research at [John Burns Research & Consulting](#). “We alerted our homebuilder and building products clients at the time of the significance of these incentives, however our experience was that homeowner and consumer awareness of these tax incentives remained relatively low.”

Beard says that manufacturers don’t expect the [elimination of the Energy Star program](#) to have an impact on demand either. “They believe demand is more closely related to current economic conditions, especially around interest rates and tariff policy than defunding of energy policy initiatives.”

Expiring Incentives

“You have until the end of the year to take advantage of federal tax credits for clean-energy and energy-efficiency upgrades to your home, whether that’s by installing solar panels, upgrading your windows, or buying a geothermal heat pump,” advised [Consumer Reports](#) in a July 18 article. These improvements — and others eligible for incentives — are helpfully detailed in the article.

Federal incentives that are in the process of being phased out include those mentioned above, as well as electric vehicle chargers, biomass stoves, air conditioners, geothermal heat pumps, weatherization features, exterior door and window upgrades and an energy audit.

With sustainability and resilience being core values for his building company, Fertik says, “Naturally we will feel the loss of these federal incentives. I remain hopeful that the buyers and clients we work with will remain committed to our goals of building more responsible and resilient homes, despite these setbacks.” (Resilience features are highly appealing for homebuyers and homeowners alike.)

Michael Rigney, CEO of Boston area smart water heater manufacturer [Cala Systems](#), is somewhat less concerned than you might expect about the expiring Energy Efficient Home Improvement Credit. “The bigger picture matters: heat pump water heater sales jumped 26% in 2022, before any IRA incentives kicked in. That kind of growth points to deeper trends — rising energy costs, smarter technology, and a growing preference for all-electric homes. So even when federal support ends, the momentum won’t,” he predicts.

When it comes to state-level incentives for heat pump water heaters like Cala’s that will continue, Rigney cites Massachusetts (Mass Save): up to \$750 rebate; New York (Clean Heat Program): often \$500–\$1,000+ depending on the utility; California (TECH Clean California):

up to \$3,100 in certain zip codes, and Maine, generous support due to high reliance on fuel oil. “State-level energy efficiency efforts predate the IRA and have long been used as policy levers to reduce peak demand and carbon emissions. And it’s not just ‘green states’ — utilities in the Southeast and Southwest are also offering meaningful rebates to reduce electric resistance load,” he adds.

Demand Drivers

“There’s a lot of noise around which incentives are ending, but the real story isn’t about what’s going away — it’s about what’s beginning,” Rigney declares. “We’re entering a new phase of home energy: one shaped by rising electricity costs, greater consumer awareness, and the growing need for resilience. Electrification is no longer a future trend; it’s a present-day priority.”

Market forces, not incentives, should be the engine of progress, Sara Gutterman, CEO of [Green Builder](#) magazine and its parent company, [Green Builder Media](#), wrote in a July 3 article titled “When the Incentives Disappear, Will Sustainability Win?” Over the past two decades, she recalled, “We’ve seen sustainability incentives come and go, but progress still continues.”

Resale Impacts

You might assume, as I did, that making your home more energy efficient would add to its resale value. This appears to be inaccurate for the most part, according to real estate platform [Zillow](#). The price effect of solar panels, Energy Star features, double pane windows and “sustainable_green” in a keyword search across two million 2024 listings revealed impacts of less than 1% on price effect. “These features don’t seem to have much of an impact on sale outcomes,” commented the company’s communications manager, Alex Lacter. They also didn’t significantly speed up a home’s sale either. Energy

Star showed the strongest effect among the energy-saving features with a sale three days faster than expected.

Cost Impacts

Scott Wild, also with [John Burns Research & Consulting](#), notes a split picture when it comes to buying homes with incentivized features. The consulting principal comments: “The incentivized features certainly add to the cost of homes, with rooftop solar and battery systems being the costliest components most of the time, but this is offset by lower utility costs over time.” He points out that energy efficiency can be a strong selling point for new homes versus older resale homes. “So it is kind of a push-pull relationship: some are choosing new homes for their energy efficiency, but others are being priced out by the added costs,” he observes.

Wild also notes that California is the only state that requires solar panels on all new home construction. “The removal of federal subsidies will increase the cost of new homes throughout the state.” However, California residents are often given the option to buy solar systems outright and include the cost of solar in their mortgages or lease the panels from solar providers and pay a monthly fee which is often less than the typical electrical bill for a non-solar home.

“Sustainability upgrades that enhance energy efficiency, electrification, solar + storage, resilience, health and wellness, and decarbonization should be able to stand toe-to-toe with conventional options on cost,” wrote Gutterman. In many cases, she added, “they already do, offering not just lower operating costs but increased comfort and value.”

Conclusions

Gutterman sees the next generations of home buyers demanding sustainable, wellness-enhancing solutions, and builders like [Beazer Homes](#), partner in Green Builder’s [2025 Vision Home](#) in Las Vegas, remaining committed to delivering them.