



# “First Step” Heat Pump Initiative

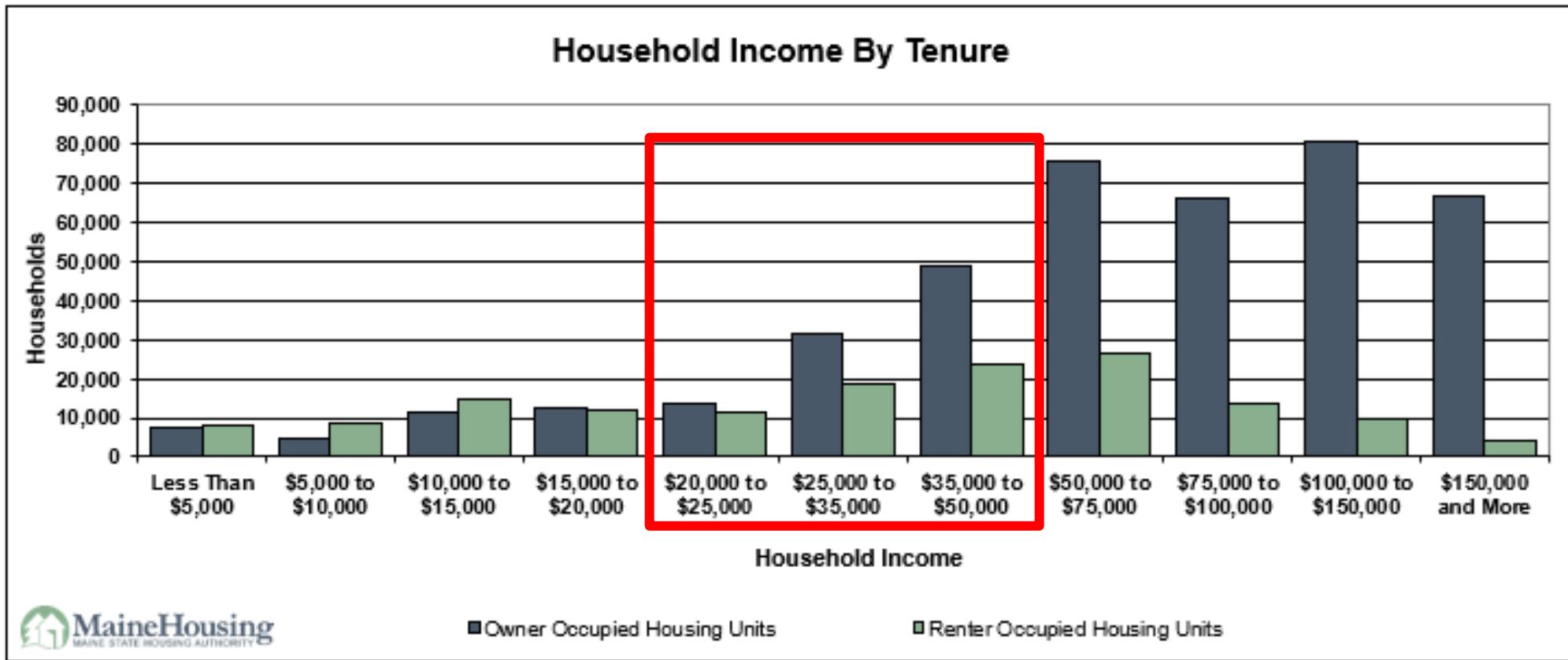
## *for Low-Income Homes*

CONCEPT DRAFT, 11/1/2023

Concern: There is a “donut hole” of program opportunity for homes that want to install a single heat pump (HP)

1. Households earning above \$48,000/year (or \$32,500/yr for a single person) and taking the Standard Deduction
  - Have a federal income tax liability of \$2,000 and above
  - Are able to take full advantage of the federal tax credit (up to \$2,000/year) if they install a single heat pump
2. Households earning below \$48,000/year (or \$32,500/yr for a single person) and taking the Standard Deduction
  - Have a federal income tax liability of less than \$2,000/year
  - Cannot take full advantage of the IRA tax credit for HPs

# Magnitude of the concern



80,000-90,000 homes are

- owner-occupied
- earn less than the threshold for federal tax liability >\$2,000, and,
- Likely could make a contribution toward the purchase of a single heat pump

# Income Eligibility

## Income Eligibility Guidelines for HEAP in Maine (2023-2024)

| # in Household | 1        | 2        | 3        | 4        | 5        | 6        | 7        | 8        | 9        | 10       |
|----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1 Yr Income    | \$32,672 | \$42,725 | \$52,778 | \$62,831 | \$72,883 | \$82,936 | \$84,821 | \$86,706 | \$88,591 | \$91,260 |

Maine's HEAP definition of "Low Income" is a good proxy for identifying/screening households that cannot take full advantage of the federal tax credit for HPs.

- Definition of "Low Income" for HEAP eligibility is: households having up to 60% of Area Median Income.
- This starts at \$32,600 (see table) for a household comprised of a single person which lines up with the income level below which a single-person household cannot take full advantage of the federal HP tax credit.
- For households of 3 people or more, Maine's HEAP eligibility by annual salary (~\$52,700) would overlap with and capture homes that would be unable to take full advantage of the federal HP tax credit.

# Solution to the “donut hole”

- Re-launch EMT initiative serving low-income households to provide rebates for installation of a single, supplemental HP
  - Target eligibility to households that cannot take full advantage of new federal tax credits for HPs
  - Use the same basic model and same delivery / administration arrangements of the program that was offered until September 2023
  - Update/increase the rebate (to an amount constituting ~70%-80% of project cost) to improve access for low-income households
  - Limit 1 per home
- Fund with a portion of remaining available ARPA/MJRP funds (for low-income weatherization and efficiency)

# Financing and Administration

- Use funds from MJRP for Low-Income Weatherization & Efficiency
  - Administered by EMT
    - through existing programs and existing delivery team of sub-contractors
    - same delivery team currently administers EMT's market-rate "Home Energy Savings Program" and "Low-Income Initiatives", both of which provide rebates on residential heat pumps
  - Earmark \$5 million for "First Step HP" initiative
    - Enough to pay for ~ 1,150 units, including (EMT delivery)
  - Sufficient capital exists in the Efficiency Maine Green Bank's revolving loan fund to provide loans

# Program Design

1. Customer acquisition -- Consumers self-select, contribute customer co-pay and/or financing for balance of project cost.
2. Program Incentives & Financing
  - Rebates for a single mini-split HP in the range of 70-80% of project cost; options:
    - Simple flat rebate of \$3,500/unit, or
    - Rebate of 80% of project cost up to a cap of \$4,000
  - Easy access to EM Green Bank Unsecured Loans for Low-Income Consumers to pay the balance of the project cost
3. Eligible heat pump models
  - HP must comply with requirements of federal tax credit per IRA section 25C
4. Other limitations
  - Limit 1 per dwelling
  - OK in a dwelling that previously had a HP installed prior to [START DATE]
  - Not OK to be combined with other state program grants for HPs (e.g., MaineHousing)
  - First come, first served.
5. Timeline -- Available for installations completed on or after [START DATE; ASAP]

# Marketing and Outreach Next Steps

1. Update Website
2. Collateral materials
  - Income-eligibility verification form/letter (done)
  - Update claim forms for project completion / rebate
  - Summary of program opportunity, eligibility, process
  - Explanation of value of moving to “whole home” solutions and emphasis on ways to optimize energy savings
3. Advise/train/update
  - EMT Call Center
  - EMT Delivery Team Subcontractor
  - Contractors (Registered Residential Vendors)