



Under the One Big Beautiful Bill Act (OBBBA), the primary federal tax benefit for home HVAC (heating, ventilation, and air conditioning) replacement or repair in 2025 is the energy efficient home improvement credit under Internal Revenue Code (IRC) §25C. However, OBBBA accelerates the termination of this credit, so it is important to understand both the scope of eligible expenses and the timing requirements.

1. Energy Efficient Home Improvement Credit (IRC §25C)

Eligible Expenses for HVAC Replacement or Repair

For 2025, the following expenses related to home HVAC systems may qualify for the §25C credit, provided all requirements are met:

- **Qualified Energy Property:** This includes expenditures for the purchase and installation of:
 - Electric or natural gas heat pump water heaters
 - Electric or natural gas heat pumps
 - Central air conditioners
 - Natural gas, propane, or oil water heaters
 - Natural gas, propane, or oil furnaces or hot water boilers
 - Biomass stoves or boilers (with at least 75% thermal efficiency)
 - Certain oil furnaces or hot water boilers meeting Energy Star criteria and rated for use with eligible fuel blends
 - Improvements to or replacement of panelboards, sub-panelboards, branch circuits, or feeders (if installed in conjunction with other qualified improvements and meeting specific requirements)
- **Qualified Energy Efficiency Improvements:** This includes insulation, exterior windows, skylights, and exterior doors, but these are not typically part of standard HVAC repair or replacement unless part of a broader energy efficiency upgrade.

Requirements and Limitations

- **Installation and Use:** The property must be installed in or on a dwelling unit located in the United States and used as the taxpayer's principal residence.
- **Efficiency Standards:** The equipment must meet or exceed the highest efficiency tier (not including advanced tier) established by the Consortium for Energy Efficiency in effect at the beginning of the calendar year in which the property is placed in service.
- **Original Use:** The original use of the property must begin with the taxpayer.
- **Labor Costs:** Labor costs for onsite preparation, assembly, or original installation are included as eligible expenditures.

Credit Amounts and Caps

- **General Cap:** The total credit allowed per taxpayer per year is capped at \$1,200.
- **Specific Caps:**
 - \$600 per item of qualified energy property (e.g., central air conditioner, furnace, boiler, etc.)



- \$2,000 aggregate annual limit for heat pumps, heat pump water heaters, and biomass stoves/boilers
- \$150 for a home energy audit
- Additional sub-limits for windows, doors, etc.

Product Identification Number Requirement

- For property placed in service after December 31, 2024, a qualified product identification number from a registered manufacturer must be included on the tax return for the credit to be claimed. However, due to the accelerated termination of the credit, periodic written reports from manufacturers are no longer required, but manufacturer registration is still necessary [3].

Termination Date

- **OBBBA Termination:** The §25C credit is not available for any property placed in service after December 31, 2025. This means that to claim the credit, the HVAC system must be installed and placed in service by December 31, 2025 [3] [1] [4].

2. Non-Deductible Expenses

- **Routine Repairs:** Ordinary repairs or maintenance of an existing HVAC system that do not involve the installation of new, qualifying energy-efficient equipment do not qualify for any federal deduction or credit under OBBBA.
- **Non-Principal Residences:** Expenses for HVAC systems in rental properties or second homes do not qualify for the §25C credit.
- **Expenditures after 2025:** Any HVAC system placed in service after December 31, 2025, is not eligible for the credit.

3. Residential Clean Energy Credit (IRC §25D)

- This credit applies to certain renewable energy systems (e.g., solar, geothermal, wind, battery storage) but does not cover conventional HVAC systems unless they are geothermal heat pumps meeting specific requirements. The §25D credit also terminates for expenditures made after December 31, 2025 [2].

Summary Table of Deductible HVAC-Related Expenses for 2025

Expense Type	Deductible in 2025?	Requirements/Limitations
New high-efficiency heat pump, AC, furnace	Yes	Must meet efficiency standards, be installed in principal residence, and placed in service by 12/31/2025; subject to credit caps and product ID requirement
Routine repair/maintenance of existing system	No	Not eligible for federal deduction or credit



Expense Type	Deductible in 2025?	Requirements/Limitations
Geothermal heat pump (renewable)	Yes (if installed by 12/31/2025)	Must meet §25D requirements; credit terminates after 2025
HVAC in rental/second home	No	Not eligible under §25C

Conclusion

In 2025, under OBBBA, only the installation of new, qualifying energy-efficient HVAC equipment in a taxpayer's principal residence is eligible for a federal tax credit under IRC §25C, subject to the requirements and limitations described above. Routine repairs or non-qualifying replacements are not deductible. All qualifying property must be placed in service by December 31, 2025, to claim the credit [3] [1] [4] [2].

