

REPEAL OF HOME ENERGY SUBSIDIES

Austin Gae, Policy Analyst
APRIL 2026



**ADVANCING AMERICAN
FREEDOM FOUNDATION**

TOPLINE: The One Big Beautiful Bill (OB3) repealed about \$100 billion in subsidies for home energy modifications that would have mostly benefited upper middle-income households at the expense of other Americans.

BACKGROUND: The [Inflation Reduction Act](#) (IRA) of 2022, shifted the cost of certain government-favored home energy products away from the households that purchase them and onto other Americans. The [Residential Clean Energy Credit](#) offset 30% of the costs of government favored products such as solar panels, solar water heaters, wind turbines, geothermal heat pumps, fuel cells, and batteries. The [Energy Efficient Home Improvement Credit](#) offset 30% of the costs of politically favored energy efficient technologies with annual limits. The [New Energy Efficient Home Credit](#) subsidized up to \$5,000 related to building houses that meet certain energy standards of the federal government.

What OB3 Did:

- [Repealed](#) the Residential Clean Energy Credit as of December 31, 2025.
- [Repealed](#) the Energy Efficient Home Improvement Credit as of December 31, 2025.
- [Repeals](#) the New Energy Efficient Home Credit on June 30, 2026.

Why It Matters?

- Rolling back these subsidies will reduce the deficit by about [\\$100 billion](#) over a 10-year period (2025-2034), according to JCT estimates.
- Whenever the tax code advantages one set of people or businesses, others are put at a relative disadvantage. In this case, the burden falls on households that do not use politically favored household energy products.

Where Can I Find the Changes? OB3 Section [70505-70506](#), [70508](#);
26 U.S. Code § [25C](#), [25D](#), [45L](#).

BOTTOMLINE: People should be free to build or modify their homes based on their own preferences, but other Americans should not be forced to subsidize those decisions. In 2022, lawmakers who passed the IRA were wrong to impose the government's home energy preferences on families. Last year, Congress was right to reverse the subsidies.

