

117TH CONGRESS  
1ST SESSION

# S. 891

To amend the Internal Revenue Code of 1986 to establish a refundable tax credit for the installation of energy efficient air source heat pumps.

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IN THE SENATE OF THE UNITED STATES

MARCH 23, 2021

Mr. KING introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to establish a refundable tax credit for the installation of energy efficient air source heat pumps.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Air Source Heat Pump  
5 Act of 2021”.

6 **SEC. 2. REFUNDABLE TAX CREDIT FOR AIR SOURCE HEAT**  
7 **PUMPS.**

8 (a) IN GENERAL.—Subpart C of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 36 the fol-  
 2 lowing new section:

3 **“SEC. 36A. AIR SOURCE HEAT PUMP CREDIT.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 5 dividual, there shall be allowed as a credit against the tax  
 6 imposed by this chapter for the taxable year an amount  
 7 equal to the lesser of—

8 “(1) 20 percent of any qualified air source heat  
 9 pump expenditures, or

10 “(2) \$800.

11 “(b) QUALIFIED AIR SOURCE HEAT PUMP EXPENDI-  
 12 TURES.—The term ‘qualified air source heat pump ex-  
 13 penditures’ means an expenditure for property which uses  
 14 an air source heat pump, as part of a ducted or ductless  
 15 system, to heat and cool a dwelling unit, provided that—

16 “(1) the dwelling unit is located in the United  
 17 States and used as the principal residence (as such  
 18 term is used in section 121) of the taxpayer, and

19 “(2) the air source heat pump—

20 “(A)(i) satisfies the applicable performance  
 21 requirements to meet the Cold-climate Air-  
 22 Source Heat Pump Specification, as provided  
 23 by Northeast Energy Efficiency Partnerships,  
 24 as in effect at the time that the expenditure for  
 25 such equipment is made (or any successor

1 standards provided by Northeast Energy Effi-  
 2 ciency Partnerships), or

3 “(ii) received the most efficient certifi-  
 4 cation under applicable Energy Star program  
 5 requirements which are in effect at the time  
 6 that the expenditure for such property is made  
 7 (or any successor standards established by the  
 8 Environmental Protection Agency),

9 “(B) is installed in accordance with the Air  
 10 Conditioning Contractors of America HVAC  
 11 Quality Installation Specification (ANSI/ACCA  
 12 Standard 5 QI–2015), or a subsequent version  
 13 approved for this purpose by the Secretary of  
 14 Energy, and

15 “(C) is displacing heating load previously  
 16 provided by an existing natural gas, propane,  
 17 resistive electric, or oil central heating system.

18 “(c) SPECIAL RULES.—For purposes of this sec-  
 19 tion—

20 “(1) APPLICATION OF CERTAIN RULES.—Rules  
 21 similar to the rules under paragraphs (1), (5), (6),  
 22 (7), and (8) of section 25D(e) shall apply.

23 “(2) JOINT OWNERSHIP.—

24 “(A) IN GENERAL.—Any expenditure oth-  
 25 erwise qualifying as a qualified air source heat

1 pump expenditure under this section shall not  
2 be treated as failing to so qualify merely be-  
3 cause such expenditure was made with respect  
4 to 2 or more dwelling units.

5 “(B) LIMITS APPLIED SEPARATELY.—In  
6 the case of any expenditure described in sub-  
7 paragraph (A), the amount of the credit allow-  
8 able under subsection (a) shall (subject to para-  
9 graph (1)) be computed separately with respect  
10 to the amount of the expenditure made for each  
11 dwelling unit.

12 “(3) PROPERTY FINANCED BY SUBSIDIZED EN-  
13 ERGY FINANCING.—For purposes of determining the  
14 amount of expenditures made by any individual with  
15 respect to any property, there shall not be taken into  
16 account expenditures which are made from sub-  
17 sidized energy financing (as defined in section  
18 48(a)(4)(C)).

19 “(d) BASIS ADJUSTMENTS.—For purposes of this  
20 subtitle, if a credit is allowed under this section for any  
21 expenditure with respect to any property, the increase in  
22 the basis of such property which would (but for this sub-  
23 section) result from such expenditure shall be reduced by  
24 the amount of the credit so allowed.

1       “(e) DENIAL OF DOUBLE BENEFIT.—A credit shall  
2 not be allowed under this section for any expenditure for  
3 which a credit is allowed under section 25C.”.

4       (b) CONFORMING AMENDMENTS.—

5           (1) Section 6211(b)(4)(A) of the Internal Rev-  
6 enue Code of 1986 is amended by inserting “36A,”  
7 after “36,”.

8           (2) The table of sections for subpart C of part  
9 IV of subchapter A of chapter 1 of such Code is  
10 amended by inserting after the item relating to sec-  
11 tion 36 the following new item:

“Sec. 36A. Air source heat pump credit.”.

12       (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 the date of the enactment of this Act.

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