REWIRING AMERICA

12|21|2022

Frictionless Income Verification Methods for the Electrification Rebates

The electrification rebates (High-Efficiency Electric Home Rebate Program) enacted in the Inflation Reduction Act (IRA) provide efficient, point-of-sale rebates to enable low- and moderate-income households across America to electrify their homes. By lowering the upfront cost of efficient, electric appliances, the rebates will help American families utilize their "electric bank accounts" to save money on their energy bills, create healthier indoor air environments and reduce carbon emissions.

For households with annual incomes less than 80 percent of the Area Median Income (AMI),[1] the rebates provide full-cost discounts up to $14,000, covering both purchase and installation costs. For households with annual incomes between 80 percent and 150 percent of AMI,[2] the rebates cover half the cost of eligible electrification upgrades, again covering purchase and installation costs up to $14,000. For both tiers, the electrification rebates are statutorily required to occur at the point of sale.

As such, contractors and home retailers must be able to easily and quickly verify potential recipients' eligibility. If not, market friction will discourage consumers from pursuing the rebates and contractors from advertising them in the first place, slowing the rate of electrification overall. **Effective income verification is crucial to drive program uptake, decrease market friction and unlock the transformational benefits of electrification.**

In this memo, we offer recommendations that the U.S. Department of Energy (DOE) can utilize to guide State Energy Offices (SEOs) to success. We also analyze high-level pathways for SEOs to implement effective income verification programs: categorical eligibility, geographical eligibility and records-checking tools, as well as layered software solutions.

---

[1] The U.S. Department of Housing and Urban Development (HUD) has not yet published electrification rebates-specific income eligibility tables. However, HUD publishes 80 percent AMI data by household size for every Fair Market Rent area. That data is available here (see columns W-AD in "Data for Section 8 Income Limits").

[2] Historically, HUD has not published 150 percent AMI data. For the calculations and graphics in this paper, we extrapolated from the 80 percent AMI data available in current HUD tables.

Income verification recommendations

Point-of-sale income verification does present challenges, both in terms of the statutory requirements and the diversity of customer, contractor and retailer needs. However, DOE can and should establish guiding principles to communicate best practices and deliver market consistency. We recommend that these principles include:

1. **Maximize simplicity and accessibility.** SEOs should ensure that income verification tools are easy for all parties to use and actively seek to reduce barriers to participation for low- and moderate-income households.

2. **Avoid a "one-size-fits-all" solution.** SEOs should implement multiple verification pathways (even if housed in one system), which will ensure that all eligible recipients can participate. No one solution will work for all eligible recipients in all use cases.

   → SEOs should establish categorical eligibility as a "first-pass" option to quickly target population subsets while also recognizing that categorical eligibility alone will miss a large portion of rebate-eligible households.

3. **Prioritize flexibility and innovation.** SEOs should predefine and reward their desired outcomes, not specific processes.

   → SEOs should allow entrepreneurs, implementers and software developers to utilize a variety of appropriate income data and create novel verification solutions, provided they meet predefined outcomes.

   → SEOs should also allow third-party software solution providers to shoulder the risk of guaranteeing income verification to a predefined level of accuracy, which would encourage innovation, efficiency and risk-taking.

While some SEOs already administer robust programs for weatherization, energy efficiency and electrification that can be leveraged in designing their electrification rebates programs and income verification solutions, many will need significant support in structuring their applications and programs. To lead by example, DOE should follow the principles and the pathways below to construct one or more "programs-in-a-box" that states can choose to adopt.

Potential income verification pathways

Categorical eligibility

Many households and individuals participate in existing means-tested government programs, in which the agency granting the benefit considers an individual's income and resources to determine program eligibility. These households have already gone through a government-sanctioned income verification process, so their enrollment in a means-tested program can be used as a form of automatic qualification for the electrification rebates — a method of verification known as "categorical eligibility."

> Efficiency Maine has a long history of targeting outreach to recipients of means-tested programs, including LIHEAP, SNAP, TANF and Medicaid. More recently, Efficiency Maine has expanded this categorical eligibility system into a pre-qualification process. Households participating in one of the qualifying programs can provide basic information in a web portal, which Efficiency Maine verifies with the Maine Department of Health and Human Services and the State Housing Authority. Once verified, the customer receives a confirmation — by both mail and email — of their pre-qualification, as well as a list of all rebates for which they qualify, subject to meeting any additional program requirements. This prequalification lasts one year and may be provided directly to a contractor.

State-by-state implementation of categorical eligibility is likely to depend on existing state mechanisms and capacity. Some existing categorical eligibility processes involve cross-verification between state departments and can take several days to complete. Such processes would be better suited for pre-qualification schemes — like Efficiency Maine's (detailed above) — than for time of sale verification. However, technical innovation could enable more seamless point-of-sale categorical qualification.

One limitation of a categorical eligibility approach is that existing means-based programs have widely varying income eligibility specifications, which can be difficult to square against the electrification rebates' income tiers. Comparing the income requirements of existing programs to the tiers stipulated for the electrification rebates, we find a **categorical eligibility approach will be an efficient way to identify a subset of eligible recipients, but will exclude large numbers of households who qualify for the electrification rebates.**

- **Medicaid:** With an enrollment of 83 million individuals (~31.5 million households), Medicaid is the largest means-tested program in America. Eligibility criteria vary: most states that have expanded Medicaid set eligibility at 138 percent of the Federal Poverty Level (FPL), but some states set other limits. While Medicaid has high uptake, with roughly 80 percent of eligible participants enrolled, its income eligibility criteria are almost always lower than the 80 percent AMI threshold and significantly lower than the 150 percent AMI eligibility cutoff for the electrification rebates. Indeed, the electrification rebates will be available to more than twice as many households as are eligible for Medicaid.

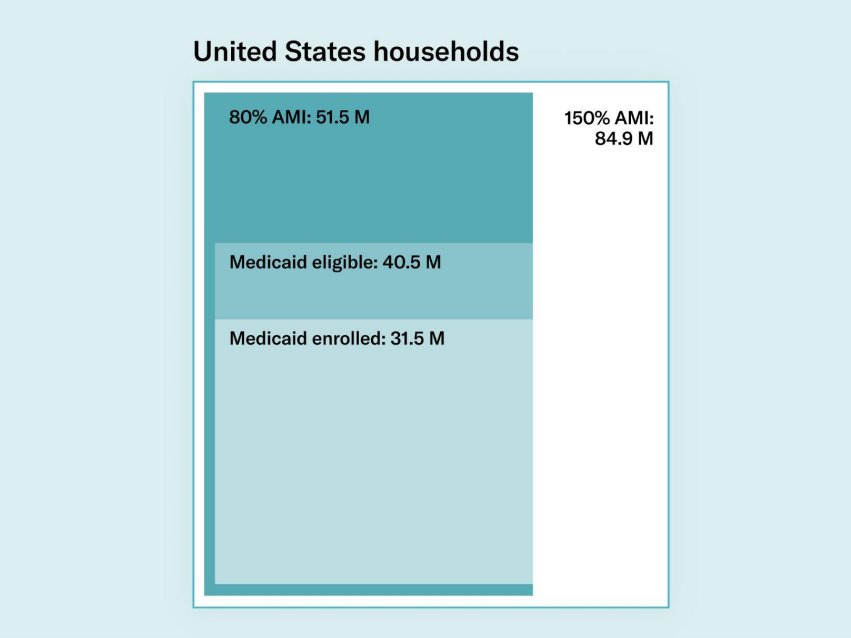


Figure 1: Household enrollment in and eligibility for Medicaid as compared to eligible electrification rebates recipients. Source: Medicaid.gov, July 2022 Medicaid Enrollment Data Highlights, with analysis from Rewiring America.

- **Supplemental Nutrition Assistance Program (SNAP):** Some states currently use SNAP as a categorical qualification method for other benefits, so it might be a ready-made initial solution for those states. The income eligibility threshold for SNAP is more complicated than that for Medicaid, with gross income limited to 130 percent FPL, net income limited to the FPL, and an additional asset test. However, SNAP enrollment — at 41 million individual users or ~15.9 million households — is half that of Medicaid. As a result, the pool of SNAP recipients falls significantly short of covering the eligible recipients for the electrification rebates.

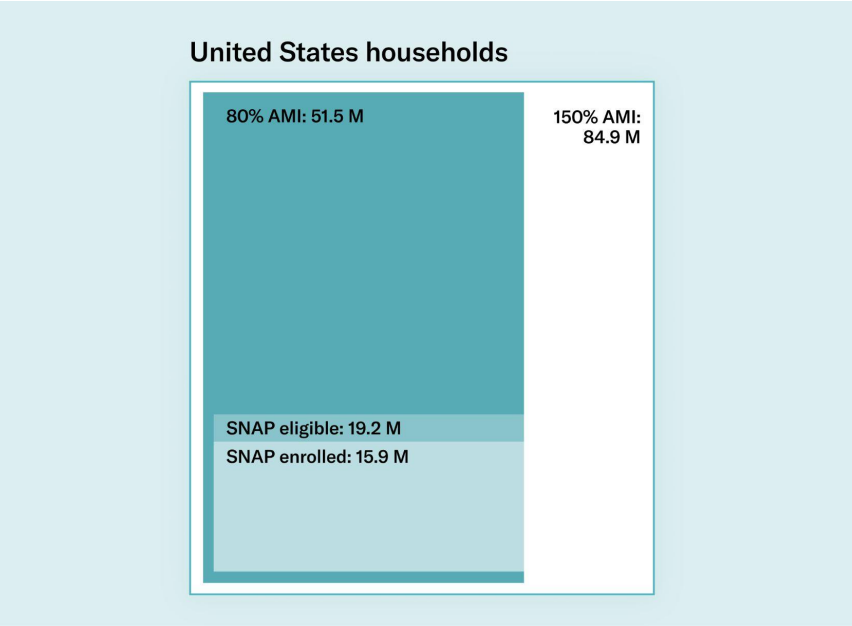


Figure 2: Household enrollment in and eligibility for SNAP as compared to eligible electrification rebates recipients. Source: Center on Budget and Policy Priorities, SNAP Fact Sheets, with analysis from Rewiring America.

- **Weatherization Assistance Program (WAP):** WAP is a much smaller program than Medicaid and SNAP, so it covers an even smaller portion of electrification rebates-eligible households. However, WAP recipients are a unique opportunity to maximize the value of the electrification rebates because of the two programs' mission overlap.

  WAP eligibility is set at either 60 percent of the State Median Income (SMI) or 200 percent FPL — closer than Medicaid to the electrification rebates' tiers — but the program typically serves only 35,000 households per year due to constrained funding.[3] Although they are small in number, these homes represent a unique opportunity for an initial deployment of electrification rebates. WAP-retrofitted homes have been income-verified and weatherized, which makes them perfectly primed for electrification rebates.

[3] Out of ~40 million eligible households. For more detailed eligibility criteria, see DOE's "How to Apply for Weatherization Assistance" page.

> Efficiency Vermont is partnering with Vermont's WAP program to conduct outreach to previously weatherized customers to promote no-cost heat pump installations. Previous WAP participation serves as categorical income qualification in Efficiency Vermont's program, allowing households to be matched with participating contractors for rapid heat pump installation.

Looking forward, the 2021 Bipartisan Infrastructure Law provided WAP additional funding to weatherize ~150,000 homes per year, and the Biden Administration has signaled its intent for WAP and the electrification rebates to work in tandem.[4]

- **Low-Income Home Energy Assistance Program (LIHEAP):** Similar to WAP, LIHEAP is an attractive categorical eligibility candidate because it delivers heating/cooling assistance and weatherization funding to energy-burdened households. Also like WAP, LIHEAP's income eligibility comes relatively closer to the electrification rebates' tiers: it cannot exceed 60 percent SMI or 150 percent FPL but must be greater than 110 percent FPL. At 5.2 million households,[5] LIHEAP enrollment is significantly larger than WAP but much smaller than Medicaid or SNAP enrollment.

  LIHEAP recipients are also almost twice as likely as the general population to rely on fuel oil for heating,[6] which is expensive and unreliable — and thus an opportunity for the electrification rebates to deliver significant benefits.

The Medicaid, SNAP, WAP and LIHEAP examples illustrate that categorical eligibility is a non-comprehensive — though potentially useful — income verification method. WAP and LIHEAP may be especially useful as starting points for SEOs with limited capacity to stand up new programs. Broadly, SEOs should consider categorical eligibility as one step in an overall income verification approach, and as a mechanism for targeting specific eligible populations who stand to benefit significantly from these rebates.

Please see the appendix for a visual compendium of income eligibility thresholds of various categorical eligibility candidates: Medicaid, SNAP, WAP and LIHEAP, plus the Earned Income Tax Credit and the Section 8 Housing Choice Voucher Program.

[4] WAP itself uses categorical eligibility, allowing the inclusion of households eligible for LIHEAP and various HUD programs.
[5] For more detailed eligibility/enrollment criteria, see the LIHEAP performance management website.
[6] According to the LIHEAP Report to Congress for Fiscal Year 2015, 11.3 percent of LIHEAP recipients rely on fuel oil for heating, as compared to 6.1 percent of the general population.

Geographic eligibility

An emerging method of income qualification is eligibility by geographical criteria (e.g., Census tracts). By prioritizing entire geographic areas instead of individual houses, geographic eligibility can reduce enrollment barriers and build community-wide trust. Geographic eligibility might involve self-attestation of income,[7] which can be cross-referenced with the median income of a household's census tract. This additional step provides a plausibility check on the self-attestation, increasing the likelihood that the self-attestation is accurate.

New Jersey is currently developing a pilot to automatically qualify ten disadvantaged neighborhoods in their Residential Low-Income Program known as Comfort Partners. The pilot will explore whether geographic eligibility can create marketing/outreach efficiencies, achieve savings in less time, reduce administrative costs and improve cost-effectiveness. It will also develop best practices and measure program integrity.

Although geographic eligibility lacks the case-by-case accuracy that would be expected of a comprehensive income verification tool, SEOs may wish to use this pathway to build targeted outreach programs or to complement other verification methods in a layered approach.

Records-checking tools

As more sets of records have been digitized, a small set of for-profit companies have established software products and tools that cross-check individual income records against government-verified data for a fee. These companies have established secure access to government databases — including tax records, Social Security earnings and state unemployment insurance program records — as well as individual bank account data,[8] which can deliver verification results while also protecting individuals' private financial records.

For example, some records-checking tools[9] use the IRS' Income Verification Express Service (IVES) to confirm the income of a borrower during the processing of a loan application. Once pinged, the IRS provides the return transcript, W-2 transcript and 1099 transcript information to a third party with the consent of the taxpayer. If a software provider were to automate the front end of this process to match the back end, this could be a plausible income verification pathway for the electrification rebates. It should be noted that the IVES process takes 1-3 business days to deliver information, which may present challenges in some use cases (i.e., "in-the-checkout-line" retailer verification).

---

[7] Some federal programs — like HUD's lead hazard control programs — already allow self-verification.
[8] Bank account data alone is sufficient to verify minimum income (for loan approvals, etc.) but is unlikely to be a comprehensive verification solution.
[9] Like The Work Number (Equifax), Verification of Income (Veri-Tax) and Income View (Experian).

State administrators across the country are already leveraging records-checking software tools to determine eligibility for TANF, SNAP, Medicaid, housing assistance and other benefits. However, utilizing this pathway for the electrification rebates will likely require tailored software applications that can layer on top of the records-checking services and present an accessible interface to consumers and contractors. These software applications can be electrification rebates-specific or they can be "one-stop-shops" that incorporate other electrification incentives and opportunities.[10]

From pathway to product: software solutions and risk-sharing

No matter the income verification pathway(s) chosen, layered software solutions will be necessary to reduce friction and present an easy, workable user experience to consumers, retailers and contractors alike. These solutions can roll multiple verification pathways into one system and can be supplemented by low-tech options to reach all segments of the eligible recipient population.

> GRID Alternatives, in partnership with the California Air Resources Board, recently launched a one-stop-shop to reduce barriers for low- and moderate-income households to access CA's low-carbon transportation incentive programs. A core component of the solution — called Access Clean CA (ACC) — is a centralized application and income verification portal that allows applicants to determine eligibility and verify income for a range of programs via a single process. ACC offers applicants a variety of income verification pathways — including tax transcripts, pay stubs, and even self-attestation forms — and uses a third-party records-checker to verify them against government databases.

Software solutions must also be optimized for multiple use cases, including rebates-eligible upgrades installed by contractors and rebates-eligible appliances purchased at home improvement retailers. For the retailer use case, consumers could scan QR codes in-store to access a verification software portal, which would then deliver a verification token to be taken to the register. Consumers could also pre-qualify through a similar software portal. In

[10] Software applications can do this by layering in existing state, local and utility incentive programs. Access NYC — which was built on top of the NYC Benefits Screening API — determines eligibility for more than 30 social service benefits programs across the local, state, and federal levels. Software applications can also present low-cost financing options — perhaps from a Green Bank or other lender — to bridge any remaining costs after incentives have been applied.

either case, income verification should be the responsibility of third-party providers, while retailers should be responsible only for processing verification tokens.[11]

To streamline the development of potential software solutions,[12] DOE should establish high-level requirements that such solutions must meet. These requirements may include:

- A focus on reducing barriers to access for low- and middle-income households.
- A baseline functionality needed to provide income verification both to the application user — be they consumers, contractors, home improvement stores, distributors or households — and to the SEO overseeing the program.
- A predefined level of expected accuracy of income verification.

Laying out clear but flexible requirements would enable SEOs to unify around common criteria and would incentivize solutions that can achieve national scale and efficiencies. In so doing, it is critical that DOE and SEOs set requirements based on desired results and not predetermined processes, so as not to artificially constrain innovation from industry and other providers.

Once a level of expected accuracy is set, SEOs should allow software developers and program implementers to shoulder the risk of meeting it. In a risk-sharing regime, proposed solutions may be subjected to audits. If a solution has erroneously approved X percent (or higher) of electrification rebates, the developer or implementer of that solution may be required to repay those erroneous rebate outlays to the state. This risk-sharing set-up would encourage solutions that meet desired outcomes while also allowing for innovation and the responsible application of point-of-sale solutions that reduce friction and encourage uptake. And by prioritizing outcomes over processes, it would provide the flexibility needed for industry to respond quickly and effectively to market signals.

The electrification rebates are designed to catalyze uptake of electrification retrofits for low- and moderate-income households at low-to-no cost, unlocking monthly energy bill savings, energy bill stability and security, and myriad health and other benefits. For that to be so, the income verification processes adopted by SEOs must be simple, accessible and innovative, tied to predefined outcomes and not fixed approaches. Frictionless income verification may not be easy, but it is necessary for the success of the program and for every household in America to achieve its electric potential.

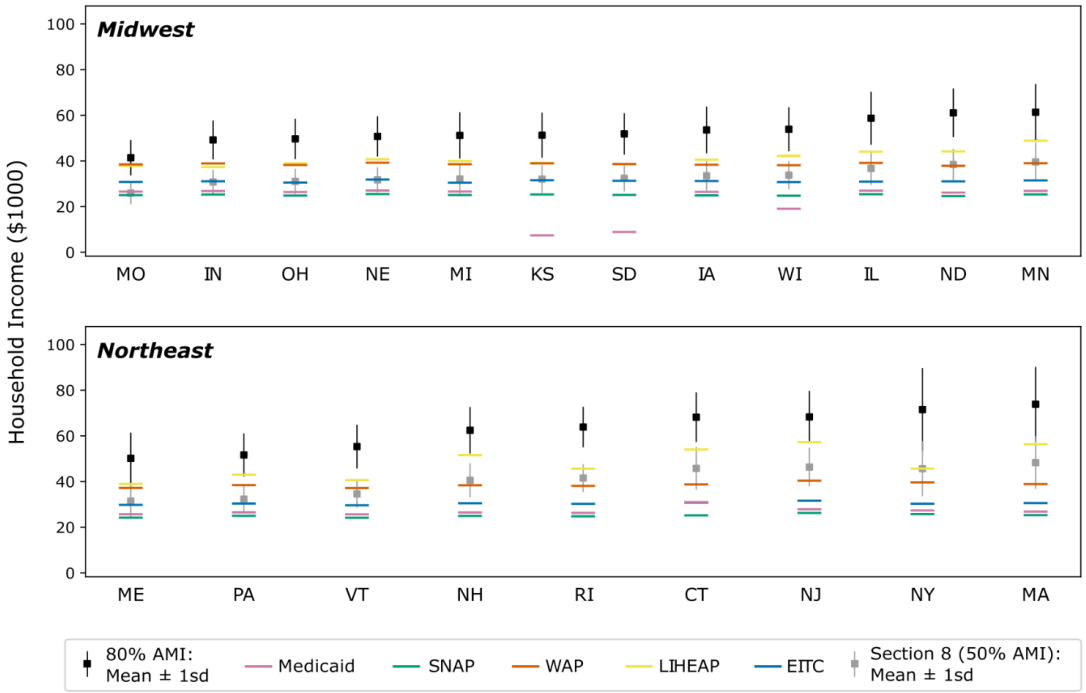
---

[11] Other parts of the rebates back-end — including processing payments and submitting claims to SEOs — can be the responsibility of third-party providers or retailers, depending on solution design.
[12] DOE and SEOs should also consider dedicating a portion of their administrative funding to support the development and implementation of software solutions.

Appendix: income thresholds of various categorical eligibility candidates, as compared to 80 percent AMI

The following graphics are a visual compendium of income eligibility thresholds of various categorical eligibility candidates — Medicaid, SNAP, WAP and LIHEAP, plus the Earned Income Tax Credit (EITC)[13] and the Section 8 Housing Choice Voucher Program (Section 8)[14] — as compared to the 80 percent AMI thresholds. While most of those programs' eligibility thresholds fall entirely short of 80 percent AMI (let alone 150 percent AMI), WAP and LIHEAP do exhibit overlap with the electrification rebates' lower tier in some states.

These calculations rely on multiple assumptions, including household size distributions, income distributions, per-state program criteria, etc. For more detail on our assumptions and methodology, see this page. DOE and SEOs should refer to the graphics below to inspire further exploration and conversation, especially on a state-by-state basis. SEOs should analyze their state-specific income eligibility criteria and utilize additional information sources at their disposal to maximize the potential of categorical eligibility as an electrification rebates income verification solution.



[13] See the IRS' Earned Income and Earned Income Tax Credit (EITC) Tables for more.
[14] Section 8 eligibility is limited to 50 percent AMI.

Figure 3: Income eligibility thresholds of Medicaid, SNAP, WAP, LIHEAP, EITC and Section 8 as compared to the 80 percent AMI thresholds, across midwestern and northeastern states.

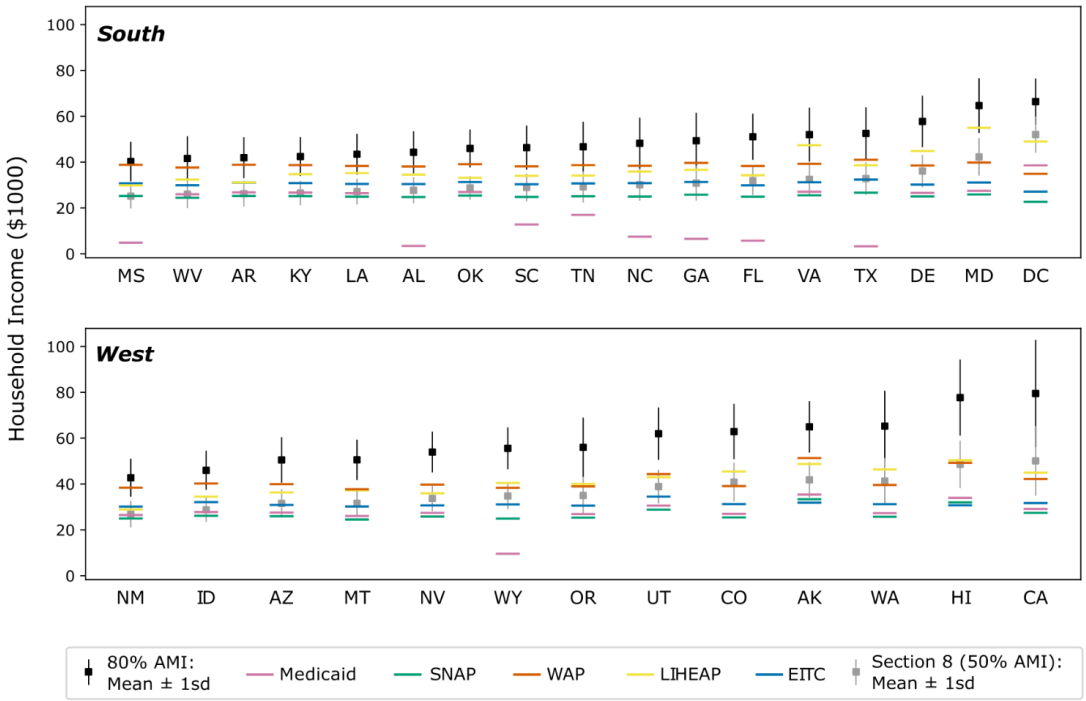


Figure 4: Income eligibility thresholds of Medicaid, SNAP, WAP, LIHEAP, EITC and Section 8 as compared to the 80 percent AMI thresholds, across southern and western states.

Note: in the graphics above, 80 percent AMI and Section 8 eligibility are presented as ranges because they rely on AMI, which can vary substantially within a single state. Thus, rather than report a single state mean, we report the distribution of thresholds over the state census tracts, where each tract is weighted by its total number of households. We plot the mean of this distribution with error bars showing ± 1 standard deviation.