



## High Performance Building Congressional Caucus Coalition

*Where building professionals from communities across the country come together with policymakers to consider and advocate for national policies that advance high performance buildings.*

***Support and Renew Three Energy-Efficient Building Tax Extenders: Residential Energy-Efficiency Tax Credit (IRC Sec. 25C); Energy-Efficient New Home Tax Credit (IRC Sec. 45L); Commercial Building Tax Deduction (IRC Sec. 179D)***

October 8, 2015

The Honorable Paul Ryan  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

We are writing to urge that you renew three energy-efficient building tax extenders that expired at the end of 2014: the Residential Energy-Efficient Tax Credit (IRC Sec. 25C); the Energy-Efficient New Home Tax Credit (IRC Sec. 45L); and the Commercial Building Tax Deduction (IRC Sec. 179D). All are market-driven incentives that have promoted and improved building energy efficiency.

The 25C tax credit was established in the Energy Policy Act of 2005 and has promoted energy efficiency by helping homeowners purchase better performing windows, doors, HVAC systems, hot water heaters, insulation, and roofing. In addition, it has preserved and created American jobs, with the National Association of Home Builders finding 278,610 full-time jobs were supported by 25C-related projects based on 2009 IRS data. The \$1,500 cap for qualified improvements in 2009 - 2010 reverted back to \$500 through 2014, but there is no doubt that 25C continues to benefit manufacturers, distributors, contractors, and, most importantly, consumers. In fact, IRS data showed that 25C benefits the middle class in particular, with over two-thirds of households that claimed the credit having adjusted gross incomes of \$100,000 or less.

The 45L tax credit was established by the Energy Policy Act of 2005, too, and over the years the Energy-Efficient New Home Tax Credit has proven remarkably impactful at a modest cost. The tax incentive provides a \$2,000 credit for builders of homes that use 50 percent less energy for space heating and cooling, relative to chapter 4 of the 2006 International Energy Conservation Code (IECC), and a tax credit of \$1,000 to manufacturers of ENERGY STAR-qualified manufactured homes. This performance-based tax credit has been successful in transforming the new homes market, as the number of homes eligible for the 45L tax credit rose to 11 percent of new homes sold in 2011 and continues its upward trajectory.

The Commercial Building Tax Deduction (CBTD) also was enacted in the Energy Policy Act of 2005 (IRC Sec. 179D) and provides a building owner with a deduction of \$1.80 per square foot of floor area for buildings that achieve 50 percent annual energy savings beyond ASHRAE 90.1-2001. For buildings below 50 percent placed in service Jan. 1, 2006 – Dec. 31, 2008, the deduction was pro-

rated to 60 cents per square foot of floor area for each of three subsystems meeting a 16.66 percent annual energy savings target:

- 1) Energy Efficient Lighting Property
- 2) Energy Efficient Heating, Cooling, Ventilation and Hot Water Property
- 3) Energy Efficient Building Envelope Property

IRS Notice 2008-40 established new subsystem percentages of 20 percent for lighting, 20 percent for HVAC and 10 percent for the envelope for property placed in service Jan. 1, 2006 – Dec. 31, 2013. These percentages could be used in lieu of the 16.66 percent formula which expired Dec. 31, 2008.

On Feb. 23, 2012, the IRS issued a modification to Notice 2008-40 (Notice 2012-22) to provide energy-saving percentages for subsystems of 25 percent for lighting, 15 percent for HVAC and 10 percent for the envelope. These percentages are available for property placed in service from March 12, 2012 through Dec. 31, 2014.

The CBTD has leveraged private-sector investment capital into building systems, because it rewards more energy-efficient outcomes with an alternative to the 39-year depreciation schedule for building components. It has become integral to newly-designed buildings, and the pro-rated deductions have made the CBTD more usable for building retrofits.

On July 21, the Senate Finance Committee approved a bipartisan tax extenders bill that would renew 25C, 45L and 179D retroactively for 2015 - 2016 with minor changes (e.g., the baseline for 179D was updated to ASHRAE 90.1-2007). Renewing 25C, 45L and 179D is a priority of the High Performance Building Congressional Caucus Coalition, and the Finance Committee has done so in a manner that would make them more effective incentives for all stakeholders.

We urge you to renew 25C, 45L and 179D and to use the Finance Committee's language as the template. Thank you for your consideration of our request and we stand ready to work with you and your staff on these and related matters.

Sincerely,

The High Performance Building Congressional Caucus Coalition  
American Council of Engineering Companies  
American Institute of Architects  
Armstrong Filtration  
Asphalt Roofing Manufacturers Association  
Associated General Contractors of America  
Biomass Thermal Energy Council  
Building Owners and Managers Association (BOMA) International  
Building Performance Institute, Inc. (BPI)  
Energy Management Association  
Green Building Initiative  
Hearth, Patio and Barbecue Association  
Illuminating Engineering Society of North America  
Independent Electrical Contractors  
Institute for Market Transformation  
International Association of Plumbing and Mechanical Officials

International Facility Management Association  
Malachite LLC  
National Apartment Association  
National Association of Home Builders  
National Association of the Remodeling Industry  
National Electrical Contractors Association  
National Electrical Manufacturers Association  
National Lumber and Building Material Dealers Association  
National Multifamily Housing Council  
National Roofing Contractors Association  
Pellet Fuels Institute  
Polyisocyanurate Insulation Manufacturers Association  
Residential Energy Services Network (RESNET)  
Roof Coatings Manufacturers Association  
Sheet Metal and Air Conditioning Contractors National Association  
Spray Polyurethane Foam Alliance  
The Stella Group, Ltd.  
Tile Roofing Institute  
Western States Roofing Contractors Association  
Window & Door Manufacturers Association