

June 21, 2019

The Honorable John Thune, Co-Lead
Senate Energy Tax Task Force
511 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Debbie Stabenow, Co-Lead
Senate Energy Tax Task Force
731 Hart Senate Office Building
Washington, DC 20510

Dear Senators Thune and Stabenow:

As a national non-profit organization seeking to advance residential building performance across the country, the Building Performance Association respectfully urges your support for tax incentives for homeowners that invest in sound residential energy efficiency home upgrades, tax incentives like a forward-looking, expanded 25C tax credit. The 25C tax credit is the only energy efficiency tax credit provided to consumers, everyday homeowners who struggle to pay their utility bills. Residential tax incentives are critical to reducing the upfront cost of energy efficiency improvements, thereby allowing more Americans access to the efficiency market, reduce monthly utility bills, and increase the health and safety of their homes. Energy efficiency is our nation's cleanest, most cost-effective energy resource, and energy efficiency incentives should be included in the tax code in a way that provides parity with other energy sources.

The Building Performance Association (BPA) is a national non-profit 501c3 organization that works with industry leaders in the home performance and weatherization industries to advance energy-efficient, healthy and safe homes retrofit policies, programs and standards through research, education, training and outreach.

As you know, America's homes and offices consume about 75% of all the national electricity and represent 40% of its total energy demand, thereby resulting in a significant impact on America's economy. The average homeowner spends approximately \$2,300 a year on energy bills, and a comprehensive whole-house energy efficiency upgrade will likely reduce this cost 20-25%.¹ To achieve these savings, however, the homeowner must invest in the upgrade measures (HVAC, insulation and air sealing, etc.). While most efficiency improvements more than pay for themselves over their lifetimes, these upfront costs remain a significant barrier for many homeowners. Since energy efficiency not only reduces a homeowners energy costs, but also improves grid reliability, reduces carbon emissions, and promotes economic growth – all public goods – a homeowner tax credit is an appropriate incentive to help homeowners make smart energy choices and improve America's residential infrastructure.

Position on short-term and/or permanent extension of provision, proposal for modification, and policy/economic justification

Previous tax reform proposals have focused primarily on energy production, largely ignoring the key role of energy efficiency – America's greatest energy resource. Only one tax provision currently provides an energy efficiency incentive for America's homeowners, 25C. We support a

¹ https://www.energystar.gov/index.cfm?c=home_improvement.hpwes_for_homeowners and <http://aceee.org/factsheet/homeefficiency-retrofit-program-feb-2009>.

forward looking extension of a tax credit for residential energy efficiency upgrades and recommend improving the 25C credit by updating goals and transitioning the credit into permanent performance-based instead of prescriptive incentive. While the 25C tax credit should be updated and improved (more on this below), the very modest tax incentive has motivated many homeowners to do more to save energy. Furthermore, the high-efficiency products that qualify for the tax incentive, are largely made in America – spurring local job growth in manufacturing as well as installations. Businesses, investors, and consumers need stable, predictable federal tax policy to create jobs, invest capital, and deploy energy efficiency technologies. Energy efficiency tax incentives will help ensure that the United States does more with less (energy) to the betterment of our economy, national security, and environment. Incentivizing energy efficiency also avoids “picking winners and losers” among resources.

We support Sen. Wyden’s “Clean Energy for America Act” in that it provides an extension and update of the 25C tax code and also amends the provision to become performance-based over time, allowing for both innovation and the acceleration of whole-house performance-based retrofits. While we would like to see modest changes to this bill, we see this legislation as setting an excellent framework for tax reform.

Energy efficiency is more than just a way to reduce energy waste and save consumers and businesses money on their monthly utility bills – it is by far the largest sector in the U.S. clean economy. A report from E4TheFuture, entitled “Energy Efficiency Jobs in America,”² found that three out of every four clean energy jobs is an energy efficiency job, and as of 2015 the energy efficiency industry employed 1.9 million Americans. The report also found that most energy efficiency jobs are created by small businesses: of the 165,000 U.S. companies engaged in energy efficiency, 70% of them have 10 or fewer employees.

A significant portion of the energy efficiency jobs in the U.S. are in the residential sector, and forty percent of those jobs involve the installation of energy efficiency products. These are the contractors – the “boots on the ground” – installing energy efficiency products and technologies and working to reduce energy waste in homes and buildings across the country. These jobs are, by their very nature, inherently local and cannot be exported. These are also the jobs created when there are new incentives for energy efficiency upgrades.

In addition to economic and jobs benefits, residential energy efficiency also plays a key role in public health. A U.S. Department of Energy report on the Weatherization Assistance Program³ found that home improvements focused on energy efficiency can improve indoor air quality, which reduces respiratory illness and sick days, and boosts mental alertness and productivity for both children and adults. A report from E4TheFuture, entitled “Occupant Health Benefits of Residential Energy Efficiency,”⁴ which reviews existing research on the link between resident health benefits and energy efficiency upgrades, also found that residential energy efficiency upgrades can produce significant improvements in asthma symptoms and help improve overall physical and mental health.

² https://e4thefuture.org/wp-content/uploads/2016/12/EnergyEfficiencyJobsInAmerica_FINAL.pdf

³ <https://energy.gov/eere/wipo/downloads/weatherization-assistance-program-national-evaluation>

⁴ <https://e4thefuture.org/occupant-health-benefits-of-residential-energy-efficiency/>

Given the important public goods provided by energy efficiency in job creation, health and safety, and energy reliability, it is vital that incentives to encourage and facilitate energy efficiency improvements in homes and buildings be included in the tax code.

Retroactive Extensions are Bad Public Policy

The Building Performance Association does not support simple retroactive extension of the 25C tax credit. First and foremost, homeowners cannot be retroactively incentivized to make efficiency upgrades to their home. As a result, precious public dollars are provided to homeowners who did not need an incentive to be motivated to take the upgrade – no new efficiency is gained in retroactive incentives. We recommend using these funds to add further years forward to the incentive to capture more savings.

Furthermore, and just as importantly, retroactive extension of 25C put an increased burden on home performance contracting companies, which are almost exclusively small businesses. When homeowners, who have been told by their tax consultants about the retroactive credit, return to these companies in search of proper documentation, these small business owners must go back through their files to reproduce invoices. This paperwork creates an undue burden for these small companies.

The Building Performance Association believes that energy efficiency is vital to our economic growth and international competitiveness. Energy efficiency improvements pay for themselves many times over and improve energy security, help Americans save money, and create more comfortable and safe homes and buildings. We strongly urge members of the committee to support energy efficiency incentives and include them in the tax code in a way that provides for parity with other energy sources. Thank you for providing this opportunity to submit testimony. We look forward to working with you.

Contact Information

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