



April 10, 2013

The Honorable Dave Camp
Chairman
Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways & Means
1106 Longworth House Office Building
Washington, DC 20515

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, DC 20515

The Honorable Mike Thompson
231 Cannon House Office Building
Washington, DC 20515

Dear Chairman Camp, Ranking Member Levin and Congressmen Brady and Thompson:

On behalf of the Energy Services Coalition, I am writing to encourage the extension and expansion of the Section 179D tax deduction for energy efficient commercial buildings. I appreciate the important efforts being undertaken by the Ways & Means Committee on tax reform and am grateful for the opportunity to submit my views.

The Energy Services Coalition (ESC) is a national nonprofit organization composed of a network of experts from a wide range of organizations working together at the state and local level to increase energy efficiency and building upgrades through energy savings performance contracting. Energy savings performance contracting enables building owners to use future energy savings to pay for up-front costs of energy-saving projects, eliminating the need to dip into capital budgets. ESC members are active in all 50 states.

Originally enacted as part of the Energy Policy Act of 2005, the Section 179D deduction is set to expire at the end of 2013. The deduction allows a private commercial or multi-family sector building owner to receive a \$1.80 per square foot deduction for an energy efficiency upgrade. Section 179D also allows government buildings to allocate the deduction to the designer of the efficiency project. The current \$1.80 deduction is available to commercial and government owned properties that achieve a 50 percent annual reduction in energy costs, and partial deductions are available for those properties

achieving less than 50 percent energy and power cost savings as compared to a like-use building (following the ASHRAE 90.1 2001 standard).

In 2011, Senators Snowe, Bingaman, Feinstein and Cardin introduced the Commercial Building Modernization Act (S. 3591), which offered a number of common-sense and impactful improvements to Section 179D. ESC approves of many of the proposals contained in the 2011 legislation, which also received support from many other industry sectors.

ESC encourages Congress to consider the following enhancements to the Section 179D deduction:

- Extend the Section 179D deduction. An extension would allow for the continued success of the deduction in addressing several economic and energy security challenges facing our nation. Section 179D emphasizes energy savings through energy efficient building design measures, which conserve valuable energy resources; significantly reduce energy-related costs for commercial building owners and government properties; and modernize our nation's commercial building infrastructure. In addition, job creation in the construction, manufacturing and design sectors and technological innovations in development and deployment of energy efficiency projects are attributed directly to the Section 179D deduction.
- Utilize a building's pre-upgrade energy consumption as the baseline for calculating energy savings. Currently, the amount of deduction is determined by comparing a building's energy and power reduction (post-upgrade) to that of a reference building that meets the requirements of ASHRAE 90.1 2001 standard. A more effective approach would be to utilize a building's own energy and power usage pre-retrofit as the baseline, which offers a more precise measurement of the energy savings achieved.
- Link an increased deduction to energy savings achieved. By expanding Section 179D above the current \$1.80 per square foot and tying it to the energy savings achieved through a sliding scale, greater flexibility in the deduction would be provided without relaxing the rigorous verification requirements currently in place.

Taking these steps to enhance the Section 179D deduction would improve the usefulness of the deduction and lead to more than 77,000 new jobs created in the construction, manufacturing and energy services sectors alone according to a 2011 analysis performed by the University of Massachusetts, Amherst.

I appreciate the Committee's work on this important matter and the opportunity to submit suggestions on behalf of the Energy Services Coalition. Please do not hesitate to contact me directly if you have any questions or comments.

Respectfully,



Christine H. Keck
President, Board of Directors