



Setting the Standards for
Home Energy Efficiency

12 April 2013
The Honorable Kevin Brady
United States House of Representatives
Washington, DC 20510

Reference: New Homes Tax Credit (IRC 45L)

Dear Congressman Brady:

Please accept this comment to the Energy Tax Reform Working Group on behalf of the Residential Energy Services Network (RESNET) and the Leading Builders of America on the New Energy Efficient Home Credit (Internal Revenue Code Sec. 45L).

As the process of comprehensive tax reform moves forward, I wanted to caution the Committee from pursuing last-minute changes and further retroactive extensions to 45L.

For additional background, 45L previously provided a \$2000 tax credit to homebuilders for building a home that is 50% more energy efficient than the International Energy Conservation Code's 2004 standard. At the end of 2011, 45L expired. As part of the "fiscal cliff" deal negotiated at the very end of December 2012, 45L was retroactively extended to cover 2012 and 2013.

As part of 45L's midnight extension, the code referenced within the credit was updated to the IECC's 2006 standard. While we understand that from time to time such updates are necessary, the retroactive nature of this update, combined with its uncertainty, has wreaked havoc in the market place.

Within 45L, RESNET's members are tasked with rating and auditing these new homes to determine if they reach the appropriate benchmark of energy savings. Many of the homes constructed in 2012 were completed based on 45L's existing specifications at that time. The retroactive change, however, has meant that roughly 90% of the homes built intending to claim the credit are no longer eligible. Furthermore, the majority of planned construction for 2013 commenced without initial knowledge of the update to the 2006 standard.

Moving forward, we recommend that future changes to standards be established in advance so builders have an opportunity to adequately prepare. Only in this way, will

45L achieve its transformative potential. This potential is documented more fully in a previous stakeholder letter to this Committee's leadership in April 2012 (attached).

Please feel free to contact us at [REDACTED] for further questions.

Sincerely,



Steve Baden
Executive Director
RESNET



Ken Gear
Executive Director
Leading Builders of America