

Mr. Chairman and Members:

Thank you for inviting me to speak with you today. My name is Kate Offringa and I am the President and CEO of the Council of the North American Insulation Manufacturers Association (Council of NAIMA).

The cheapest, cleanest, and most reliable energy comes from more efficiently using the energy we already produce. More than 46 million American homes are under insulated, and many commercial buildings also lack adequate insulation. Installing proper levels of insulation would immediately lower energy bills, create jobs and decrease energy usage. If American homes were properly insulated, we could save 30 times the amount of energy lost in the 2010 Gulf oil spill.

Best of all, we don't need to locate new reserves or develop new technologies: High quality insulation is available today and can be installed tomorrow. The challenge is incentivizing people to install and retrofit that insulation into new and existing homes and buildings.

One important way to achieve this goal is to expand and extend a tax credit that rewards homeowners for installing energy efficient products and equipment. First established in the 2005 Energy Policy Act, the provision known as "25(C) – or technically known as the "nonbusiness energy tax credit" – has helped tens of thousands of homeowners across the country save substantial amounts of money on monthly energy bills. Since January, it provides a tax credit of 10 percent – up to \$500 – for insulation, heating, ventilation, and air conditioning equipment, energy-smart windows and other products designed to save energy.

25C has enjoyed deep bipartisan support on Capitol Hill and has been extended several times. The credit was also expanded to triple its current size in 2009 and 2010. As a result, the number of homeowners taking advantage of 25(C) in these years increased substantially from previous years.

The insulation industry strongly supports extension of 25C at the highest levels the Congress can manage in light of budget constraints. In addition, 25C should be amended to allow homeowners to include the cost of labor necessary for the installation of insulation. Currently, labor costs, which can amount to half of the cost of installing insulation, are excluded without any sound public policy basis. Including labor will help put insulation on more equal footing with other products such as windows and HVAC units, whose labor costs are already included in the credit. More importantly, it will put qualified contractors and installers – hard hit by the current economy – back to work.

In addition to 25C, there are several other important tax incentives aimed at boosting energy efficiency. The Energy Efficient New Homes Tax Credit – known as 45L -- allows homebuilders to receive a \$2,000 credit for every new home they build that is 50 percent more energy efficient than code in regard to heating and cooling. Likewise, the Energy Efficient Commercial Building Tax Deduction, or 179(D), provides an incentive for retrofitting existing commercial buildings through a tax deduction of \$1.80 per square foot. Unfortunately, 179D is

unduly complex and, as a result, little used. We are working with the Administration and several in Congress to make 179D simpler and allow it to achieve its goals.

The construction and contractor sectors of the job market have been hit especially hard by the current economy and the continued slowdown of the housing market. Likewise, our manufacturers are hiring fewer workers and producing fewer products. Energy efficiency incentives such as 25C, 45L, and 179D can help us attain a number of goals including putting Americans back to work, saving money on our utility bills, and making America more energy independent.

We all understand that budgets are tight in the current environment. Competing priorities require that choices to be made. Energy efficiency and insulation are not as visually dramatic as a massive wind farm or a new oilfield, but they are cheaper, cleaner and can contribute even more significantly to creating jobs and creating a secure energy future for America.

Thank you again for the opportunity to testify today.