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To: House Ways and Means Committee and Congressman Jim Jordan
From: Doug Borchers
Title of Hearing: Tax Reform Hearing on the Benefits of Permanent Tax Policy for America's Job Creators
Subject: RE: Section 179D Energy Efficient Commercial Buildings Deduction Should Be Included as Part of a Tax Extender Package

Dear House Ways and Means Committee and Congressman Jordan,

I am writing to you today to urge the inclusion of Section 179D, Energy Efficient Commercial Buildings Deduction as part of a Tax Extender Package.

Our Company, Dickman Supply, Inc, has helped over a thousand companies in Ohio, Indiana, and Kentucky over the past 7 years to help justify significant infrastructure investments that have made them much more competitive in the workplace by lowering overall utility costs with these investments that upgraded their facilities. In almost every case, the payback was out way too far (past 5 years) as an investment on its own, but with a 179D accelerated depreciation they were able to justify it as a wise investment, and have reaped the rewards ever since in lower utility bills and competitiveness in their marketplace. We have also assisted a number of government agencies to do likewise by using the portion of the law that allows us (as the project designer) to take the tax deduction, then pass the savings along to them in lower material costs, saving taxpayers in our area thousands of dollars in energy reductions. It also created five jobs in our company... our "Green Energy Solutions Group" consults with facility owners in this area on the optimal ways to conserve energy and designs the most efficient lighting system for them. It's been a win-win all around!

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It was further extended in 2008, with current expiration set for January 1, 2014. Since the inception of 179D, it has assisted thousands of building owners in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EAct therefore plays a direct role in supporting a major source of employment in our state.

Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.

HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.

The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building. In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security

Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained.

Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead

Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation.

Conclusion

Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We strongly support its inclusion as the House Ways and Means Committee contemplates Tax Extenders.

Sincerely,

Doug Borchers

Vice President
Dickman Supply, Inc.