



**Statement for the Record
Of
The American Institute of Architects**

**For The Hearing On
“Benefits of Permanent Tax Policy for America’s Job Creators”**

**Before
The U.S. House of Representatives
Committee on Ways & Means**

April 8, 2014

The American Institute of Architects (AIA) commends the Committee for its leadership on tax reform and for convening a hearing to explore the issue of expired business tax provisions that were proposed for extension in Chairman Dave Camp's tax reform discussion draft released on February 26, 2014. We appreciate the Committee's commitment to providing our nation's businesses with the certainty of permanent tax policy that promotes economic and job growth.

In this regard, we urge Congress to consider Section 179D, the Energy Efficient Commercial Building Deduction ("Section 179D" or the "179D deduction"), which expired on December 31, 2013. Section 179D is an important tax policy for businesses that critically incentivizes energy efficiency. Our strong hope is that Section 179D is made permanent and possibly improved to further increase its impact.

The AIA & Architecture in Our Communities

The AIA has been the leading professional membership association for architects and allied partners since 1857, representing more than 81,000 architects and emerging professionals nationwide and around the world.

In 2011 alone, the 17,500 architecture firms owned by AIA members grossed billings of \$26.0 billion, driving economic activity and job growth. Moreover, most architecture firms at which AIA members work are small businesses, with nearly 97 percent of firms having fewer than 50 employees.

Architecture is about more than just buildings. At a time when our nation faces great challenges that require innovative, forward-thinking solutions, architects are in the business of creative problem-solving. Architects work to advance our quality of life through their commitment to healthy, safe, resilient, and sustainable communities. From designing the next generation of energy-saving buildings to making our communities healthier and more vibrant, from helping neighborhoods rebuild after disasters to exporting American design know-how to the rest of the world, architects turn dreams and aspirations into reality.

Background on Section 179D, the Energy Efficient Commercial Building Deduction

By way of background, Section 179D of the Internal Revenue Code provides a deduction for certain energy efficient commercial building property expenditures. The maximum deduction is \$1.80 per square foot. In the case that a building does not meet the 50 percent energy savings requirement, a partial deduction of \$0.60 per square foot is allowed for each separate building system that comprises energy efficient property and that is certified as meeting required savings targets. To encourage the public sector to utilize these same energy efficient enhancements, the 179D deduction also provides a federal, state, or local government owner of a commercial building an election to allocate the tax deduction to the primary person responsible for designing the energy efficient enhancements installed in the building.

In the short-term, the 179D deduction enables building owners to offset the often costly expenses associated with energy efficiency enhancements. In the longer-term, building owners who take advantage of the 179D deduction realize significantly lower energy costs, the benefits of leading edge design and construction that enhances the building's long-term market value, and the benefits of a cleaner environment.

In the case of a public entity, the allocation of the 179D deduction, in the short-term, results in savings by allowing the public entity to negotiate a better deal and, in the long-term, allows the public entity to realize ongoing energy savings. The average 179D project (typically \$0.60/sq. ft. for lighting upgrades) saves a public entity an average of 20 percent on their energy expenses.

Making Section 179D Permanent

Section 179D has been an extremely effective tool in increasing the energy efficiency of buildings. Section 179D has leveraged billions of dollars in private capital, resulting in the energy efficient construction and renovation of thousands of buildings, while creating and preserving hundreds of thousands of jobs. It is one of the best examples of the tremendous impact tax incentives can have on financing energy efficient property.

Section 179D's success demonstrates the strong need to retain an energy efficiency provision in the tax code. We also strongly urge Congress to make permanent and enhance the Section 179D deduction by: (1) ensuring the ability of pass-through entities to capture the full value of an allocated deduction in the case of a public owner of a building; (2) allowing non-profit owners of buildings, similar to public owners of buildings, to allocate the deduction; and (3) increasing the value of the deduction. These improvements would further increase the impact of Section 179D.

AIA has been working on this issue with other design and construction, real estate, and energy efficiency industry stakeholders. In this regard, please find attached a recent joint stakeholder letter in support of Section 179D extension and reform.

Conclusion

AIA appreciates the opportunity to submit this statement for the record. We request that Section 179D be made permanent and possibly enhanced as part of the Committee's process to review and make some expiring tax policies permanent. AIA and its members are ready to serve as a resource to Congress and the Committee on these and other issues.

Appendix

**Coalition to Extend and Improve the
179D Tax Deduction for Energy Efficient Buildings**

April 1, 2014

The Honorable Ron Wyden
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member
Committee on Finance
U.S. Senate
Washington, D.C.

Dear Chairman Wyden and Ranking Member Hatch:

We write to urge extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings – with refinements included in S. 2189 (introduced today) to better enable the deduction’s use for “retrofits” of existing buildings. Section 179D expired on December 31, 2013.

Our organizations and companies represent a broad spectrum of the U.S. economy. They include real estate, manufacturing, architecture, contracting, building services, financing, labor, education, environmental and energy efficiency advocates. We represent many small businesses that drive and sustain American job growth.

Section 179D provides a tax deduction to help offset some of the high costs of energy efficient components and systems for commercial and larger multifamily buildings. The 179D deduction has leveraged billions of dollars in private capital, resulted in the energy-efficient construction of thousands of buildings, and created and preserved hundreds of thousands of jobs. It has lowered demands on the power grid, moved our country closer to energy independence, and reduced carbon emissions.

To date, section 179D has primarily been used to encourage energy efficient new construction. The deduction has also been used successfully in the context of public buildings. However, since 179D’s initial enactment in 2005, the intent has also been to encourage private sector and non-profit owners to retrofit existing buildings. In this regard, 179D can be improved. Considering that most of the buildings that exist in the U.S. today will still be standing for decades to come, 179D should be strengthened to encourage retrofits and thereby maximize the incentive’s potential as an engine for sound tax, jobs, energy and environmental policy. Title I of the “Energy Efficiency Tax Incentives Act” (S. 2189) – introduced today by Senators Cardin, Feinstein, and Schatz – preserves the deduction’s application for new construction and public buildings, while also meaningfully incentivizes private sector and non-profit retrofits. The commercial buildings provisions in S. 2189 have been carefully analyzed and thoroughly vetted by myriad stakeholders, and should be incorporated into any tax extenders package. Title I of S. 2189 further provides a sound policy bridge to comprehensive tax reform efforts.

We strongly urge you to extend section 179D, with improvements to enable retrofit projects as offered by Title I of S. 2189. Thank you.

Cc: The Honorable Benjamin Cardin
The Honorable Dianne Feinstein
The Honorable Brian Schatz
Members of the Finance Committee of the U.S. Senate

**Coalition to Extend and Improve the
179D Tax Deduction for Energy Efficient Buildings**

SUPPORTING ORGANIZATIONS

ABM Industries
Acuity Brands
Advanced Energy Economy
Air Barrier Association of America
Air Conditioning Contractors of America
Air-Conditioning, Heating, and Refrigeration Institute
Alliance for Industrial Efficiency
Alliance to Save Energy
Ameresco
American Council for an Energy-Efficient Economy
American Gaming Association
American Gas Association
American Institute of Architects
American Public Gas Association
American Resort Development Association
American Society of Interior Designers
Appraisal Institute
ASHRAE
Big Ass Fans
Building Owners and Managers Association (BOMA) International
CCIM Institute
Council of North American Insulation Manufacturers
Eaton
Energy Future Coalition
Energy Tax Savers, Inc.
Environmental Defense Fund
Independent Electrical Contractors
Ingersoll Rand
Insulation Contractors Association of America
Institute for Market Transformation
Institute of Real Estate Management
International Council of Shopping Centers
International Union of Painters and Allied Trades
Johnson Controls, Inc.
Legrand
Mechanical Contractors Association of America (MCAA)
Metrus Energy, Inc.
NAIOP, the Commercial Real Estate Development Association
National Apartment Association
National Association of Electrical Distributors
National Association of College and University Business Officers
National Association of Home Builders
National Association of Real Estate Investment Trusts
National Association of REALTORS®
National Electrical Contractors Association
National Electrical Manufacturers Association (NEMA)
National Leased Housing Association (NLHA)
National Multifamily Housing Council

**Coalition to Extend and Improve the
179D Tax Deduction for Energy Efficient Buildings**

Natural Resources Defense Council
National Roofing Contractors Association
Osram Sylvania
Owens Corning
Plumbing-Heating-Cooling Contractors—National Association
Polyisocyanurate Insulation Manufacturers Association
Real Estate Board of New York
Sheet Metal and Air Conditioning Contractors' National Association
Sheet Metal Workers' International Association, a division of S.M.A.R.T.
(International Association of Sheet Metal, Air, Rail & Transportation Workers)
Society of Industrial and Office REALTORS®
TerraLUX
The Real Estate Roundtable
U.S. Green Building Council
Window & Door Manufacturers Association