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March 15, 2019

Subject: RE: Tax Extenders and Sec179D Energy Efficient Commercial Buildings Deduction Should Be Extended Immediately

Dear House Ways and Means Select Revenue Measures Subcommittee,

We are writing to you today in regards to the state of Tax Extenders and the Section 179D Energy Efficient Commercial Buildings Deduction.

As you may know, numerous tax provisions expired on December 31, 2017, and an extension of these would provide temporary relief for millions of taxpayers and companies. Many companies are already uncertain about the still-developing impact of Tax Reform on their operations, and further delaying action on Tax Extenders would create increased uncertainty. Thousands of companies throughout the country are relying on the addressing of these items in a timely manner to both file their current tax returns and plan for 2019.

As you seek ways to grow our economy and create jobs with your efforts, we strongly suggest the timely addressal of the Tax Extenders, and we encourage you to adopt the Tax Extender And Disaster Relief Act Of 2019 introduced by Senators Grassley and Wyden.

The Tax Extenders bill includes many important provisions. One particularly important provision for our company is the Section 179D Commercial Building Tax Deduction for energy efficiency in commercial and multifamily buildings. Our Company, BBS Architects, Landscape Architects, Engineers PC, employs 70 architects and engineers, and we pride ourselves in our energy efficient designs for New York State K-12 School Districts and other municipalities. We have designed a number of energy performance contracts for NYS Schools, which have reduced their operating costs, and even generated positive cash flow, which districts then use for educational programs. We have also designed LEED projects for both school districts and public libraries, allowing them to be more sustainable and reduce energy costs. This has allowed our firm to be successful in our industry, and to add not only architectural and engineering jobs, but create jobs for our local contractors and material manufacturers as well.

As you know, 179D directly supports three national priorities: Job Creation, Energy Independence and Climate Change. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended five times and expired on December 31, 2017. Since the inception of 179D, it has assisted thousands of building owners and tenants 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. Lastly, reducing energy use, directly reduces the creation of greenhouse gasses, which assists in reducing the effects of climate change.

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In a study conducted by the economics firm, REMI, long term extension of EPAct 179D was projected to create over 76,500 jobs, and create over $7 billion in GDP.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct 179D 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 as well.

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 eleven 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. The tax collected from added profits obtained through energy savings quickly outweigh the foregone tax revenue created by 179D.

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 urge you to include multi-year extension of EPAct 179D in upcoming legislation.

Sincerely,

Frederick W. Seeba, P.E. LEED AP
Managing Partner

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