U.S. Real Estate Industry Supports Extending
Clean Energy Tax Incentives for Buildings

June 13, 2016

The Honorable Orrin Hatch, Chairman
The Honorable Ron Wyden, Ranking Member
Committee on Finance
United States Senate

Dear Chairman Hatch and Ranking Member Wyden:

Thank you for scheduling a Finance Committee hearing on June 14, 2016, entitled "Energy Tax Policy in 2016 and Beyond." The undersigned organizations, representing the U.S. commercial, residential, hospitality, industrial, retail, health care, architecture, brokerage and other sectors of real estate, respectfully submit this letter for the record of tomorrow's energy tax hearing.

We support extension of the following Internal Revenue Code provisions scheduled to expire at the end of 2016 that encourage cleaner and more efficient energy use in our nation's building stock:

- **Section 25C,** credit for qualified home energy efficiency improvements;
- **Section 25D,** credit for home energy properties that have not already been extended (such as geothermal, microturbines, and fuel cell technologies);
- **Section 45L,** credit for new energy efficient homes;
- **Section 48,** credit for business investments in energy properties that have not already been extended (such as qualified fuel cells, microturbines and combined heat and power systems); and
- **Section 179D,** deduction for energy efficient commercial building property (advanced lighting, heating/cooling, and window/roof systems).

High upfront costs are the main barrier to installing maximum energy efficiency and renewable equipment in buildings. The code sections listed above provide critical incentives to justify the "bottom line" for homeowners and businesses to go above and beyond the basic minimum requirements of building codes and regulations, and foster more reasonable returns on investments in expensive but optimal energy systems.

As Congress continues to use the tax code to advance energy-related policies, it warrants emphasis that taxpayers get the most value from real estate efficiency incentives focused on *saving* energy—as opposed to incentives that encourage new energy *production.* Simply put, it is cheaper to avoid using kilowatts than to create kilowatts. Policies such as enhanced U.S. independence from foreign fuel supplies, job creation and economic development, improved resiliency of the built environment from severe weather and other threats, and greenhouse gas reduction and other environmental benefits, are cost-effectively achieved though the code provisions listed above. These sections of the tax code are key elements to further Congress's energy policies and should not be left to expire.

Our organizations support a holistic national energy framework that does not pick "winners or losers" among technologies or investor classes. Yet, Congress has already extended or made permanent provisions in the tax code focused on renewable and other means of energy creation. For example, last December in the PATH Act, Congress selected to extend the Section 25D and Section 48 tax credits only for solar technologies, but regretfully failed to also prioritize the energy-saving incentives for real estate listed above. These incentives should be included as part of an “all of the above” strategy—especially because buildings (and the residents and tenants who live, work and play in them) account for an estimated 40% of all energy use in the U.S.

Your Committee has called for comprehensive tax code reform as a top priority in the coming months. We expect it will be necessary to re-envision the code’s energy provisions as part of these efforts, assess their effectiveness, and consider how they should be reformed and modernized to achieve technology-neutral and performance-based objectives. The real estate industry has much to share in this regard. That platform may be denied to us and many other stakeholders if the building efficiency incentives listed above fall out of the tax code at the end of this year, while other energy incentives remain in effect.

We appreciate your consideration, and urge Congress to extend the tax code provisions listed above before they expire at the end of 2016.

cc: Members of the Committee on Finance, U.S. Senate

American Hotel & Lodging Association

American Institute of Architects

American Resort Development Association

Building Owners and Managers Association (BOMA) International

CCIM Institute

International Council of Shopping Centers

Institute of Real Estate Management

Leading Builders of America

NAIOP, the Commercial Real Estate Development Association

National Apartment Association

National Association of Home Builders

National Association of REALTORS®

National Association of Real Estate Investment Trusts

National Multifamily Housing Council

Society of Office and Industrial REALTORS®

The Real Estate Roundtable