



March 12, 2018

The Honorable Vern Buchanan
Chairman, Tax Policy Subcommittee
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Lloyd Doggett
Ranking Member, Tax Policy Subcommittee
House Committee on Ways and Means
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairman Buchanan and Ranking Member Doggett:

As the House Ways and Means Subcommittee on Tax Policy examines tax extenders in light of tax reform, we encourage Congress to make permanent the New Energy Efficient Home Credit (IRC Section 45L). While we greatly appreciate Congress extending this provision through 2017 as part of the recently enacted *Bipartisan Budget Act of 2018* (P.L. 115-123), the value of this incentive will be maximized if it is made a permanent feature of the tax code.

The New Energy Efficient Home Credit enables builders of new single-family homes and low-rise multifamily properties (three stories or less) to claim a \$2,000 per-unit tax credit for those residences that achieve a 50 percent energy savings for heating and cooling over the 2006 International Energy Conservation Code. The provision has provided a powerful incentive for contractors to install higher performance building systems and upgraded appliances than they otherwise could justify within the *pro forma* for developing the property.

The New Energy Efficient Home Tax Credit is very well designed and managed:

First and foremost, home builders and multifamily developers appear willing to modify their designs and specifications to take advantage of this incentive, which is exactly the type of behavior Congress should use a tax credit to encourage. In other words, the credit truly modifies behavior.

Second, the tax incentive provides home buyers and multifamily residents a downstream benefit as well. Residents receive ongoing benefits from the provision through reduced utility expenditures associated with high-efficiency building systems.

Third, the credit is designed only to reward true energy efficiency: Utilization of the Section 45L credit requires additional upfront engineering, construction costs, and expenses for a third-party professional to certify that the property has achieved the required metrics.

Fourth, last year's tax reform legislation enhanced the credit. By significantly reducing the incidence of the individual alternative minimum tax (AMT), Congress removed a key impediment preventing some home builders, multifamily developers, and investors from using the incentive. As a general business credit, Section 45L is ineligible to offset the AMT.

We strongly believe that the New Energy Efficient Home Credit should be made permanent so that it can continue to motivate the development of high performance residential properties.

Thank you considering our views.

Sincerely,

National Multifamily Housing Council
National Apartment Association
National Association of Home Builders
National Association of REALTORS®
National Leased Housing Association
Leading Builders of America
The Real Estate Roundtable