Energy Efficiency Tax Incentives to Expire on December 31, 2016

On December 31, 2016, three energy efficiency tax incentives will expire because Congress neglected to extend them before the end of the 114th Congress. These three incentives were extended through this year as part of a $700 billion package passed by Congress and signed into law by President Obama in 2015.

Allowing these incentives to expire will increase taxes on American homeowners and businesses. These incentives have helped homeowners and businesses save money and cut energy use by investing in energy efficient homes and equipment. Until Congress reauthorizes these incentives, the potential job creation, energy reduction, and cost savings provided by those tax incentives will be lost.

Residential Energy Efficiency Tax Credits

Sec. 25C Nonbusiness Energy Property Credit for Existing Homes provides a 10% tax credit for the purchase of certain nonbusiness energy-efficient measures up to $500, providing an incentive for homeowners to choose energy-efficient products over less expensive and less efficient alternatives.

Sec. 45L Energy Efficient Home Credit provides builders up to $2,000 for homes that use 50% less energy (compared to the 2006 International Energy Conservation Code) for heating and cooling and a $1,000 tax credit for new manufactured homes that achieve 30% energy savings for heating and cooling or ENERGY STAR requirements. Since the 45L credit was enacted in 2005, the number of homes that qualify by using 30-50% less energy for heating and cooling has jumped from less than 1% to about 11%.

Commercial Energy Efficiency Tax Deduction

Sec. 179D Commercial Building Tax Deduction promotes energy efficiency in commercial and multifamily buildings, which account for more than 20% of energy consumption in the United States. This incentive provides above-the-line deductions of up to $1.80 per square foot for energy efficiency improvements to lighting, heating, cooling, ventilation, hot water systems, and the building envelope. Public sector facilities, such as schools, also benefit from 179D, which increases their ability to leverage private capital in energy savings performance contracts.

A digital copy of this fact sheet with links to attributed sourcing can be found here.