**Extend Tax Incentives for Energy Efficiency**

Energy efficiency tax incentives have a proven track record of cutting energy use and helping consumers save money, but policies must adapt to fit with the times and our ever-shifting economic and energy needs. We ask Congress to extend the 25C and 179D tax incentives with some modifications to make them even more effective, and to extend the successful 45L tax credit.

There is a growing, bipartisan, and nationwide commitment to a goal of doubling U.S. energy productivity, or cutting our energy waste in half, by 2030. A study commissioned by the Alliance to Save Energy found that doubling U.S. energy productivity by 2030 could save the nation $327 billion annually in avoided energy costs, create more than 1 million jobs, and reduce our energy imports by more than $100 billion. **These new and improved energy efficiency tax incentives would help the country take a large step toward achieving this goal.**

**Updating and extending these tax incentives will ensure that the United States does more with less (energy) to the betterment of our economy, national security, and environment.**

**Section 179D** promotes energy efficiency in commercial and multifamily buildings, which account for more than twenty percent of energy consumption in the United States.

* 179D should be extended and revised to be a meaningful incentive for energy efficiency upgrades to retrofit existing buildings.
* 179D should be extended through at least the end of 2015.
* A new performance-based component should be added that rewards retrofits that produce actual and verified energy savings, and that retrofit incentives are scaled to increase with greater energy savings.
* The current incentive should be increased to a maximum of $3 per square foot of improved building.
* REITs should be allowed to deduct retrofit project expenses for purposes of taxable income and dividend calculations.

**Section 45L** promotes energy efficiency in new homes.

* Provides a credit of $2,000 for builders of homes that use 50% less energy for space heating and cooling and a $1,000 tax credit to the builder of a new manufactured home achieving 30% energy savings for heating and cooling or a manufactured home meeting the ENERGY STAR requirements.
* The credit has been renewed several times and most recently lapsed on December 31, 2013. The credit should be should be extended through at least the end of 2015.
* When the credit was enacted likely less than 1% of new homes met the qualification levels. In recent years, the number of homes certified as complying with the tax credit rose to about 10% of new homes sold; this growing market share is attributable in substantial part to the new and manufactured homes tax incentive.

**Section 25C** provides a ten percent tax credit for improvements to existing homes.

* Provides a credit for the purchase energy-efficient materials up to $500, providing an incentive for homeowners to choose energy-efficient products over less expensive and efficient alternatives.
* The current product efficiency levels in the code, however, are out of date and need to be updated to higher efficiency levels. Also the provision needs to be updated so that installation costs are included in the cost of the measure.
* The credit should be should be extended through at least the end of 2015.
* Section 25E: We would also urge lawmakers to consider using an updated 25C as a transition or companion to a new multi-year performance-based tax credit, 25E.
  + The technology neutral 25E would reward energy saving levels rather than specific products, aligning taxpayer dollars directly with public policy objectives and supporting the most cost-effective improvements for each homeowner.
  + 25E would help create an enhanced market for energy efficiency and an incentive for sound, efficient construction by trained contractors—resulting in significant energy savings and domestic job creation.