

Honorable Senator Max Baucus  
Chairman, Senate Finance Committee  
Hart Senate Office Building, Room 511  
Constitution Avenue and 2nd Street, NE  
Washington, DC 20510-2602

Honorable Senator Charles Grassley  
Ranking Member, Senate Finance Committee  
Hart Senate Office Building, Room 135  
Constitution Avenue and 2nd Street, NE  
Washington, DC 20510-1501

Dear Chairman Baucus and Ranking Member Grassley,

We the undersigned represent a broad-based coalition of energy efficiency and environmental organizations, public interest organizations and corporations. As you consider energy tax legislation this fall, we urge your support for a package of bills introduced last month by Senators Bingaman, Snowe and Feinstein. These bills will expand and extend incentives for energy efficiency improvements and new efficient buildings in the residential and industrial sectors, and we urge you to support these initiatives and do everything possible for the Finance Committee to favorably report these bills before the end of the year. Tax credits for efficiency upgrades have proven to be an effective means to help consumers overcome the upfront costs associated with otherwise cost-effective efficiency improvements. Existing credits have proved popular and these three bills would expand and extend these types of credits while raising the bar for some to drive technological innovation by focusing incentives toward cutting edge projects and improvements.

The first bill is the **Expanding Building Efficiency Incentives Act of 2009 (S. 1637)**, that would expand and establish several incentives related to whole-building energy efficiency.

- The popular Energy Efficient Homes credit, which offers \$2,000 off taxes for homes that are built to consume 50% less energy than the 2003 International Energy Conservation Code (IECC) building energy code (including 2004 supplements), would be extended to 2012 (it is scheduled to expire at the end of this year). It would also offer a higher-tier credit, worth \$4,000, available through 2013, for homes that also met additional standards for heating, ventilation, cooling, lighting, and appliance energy use.
- The existing Energy Efficient Manufactured Homes credit, for those purchasing high-efficiency ENERGY STAR manufactured homes, would be increased from \$1,000 to \$1,500. A higher-tier credit, worth \$2,500, would be created for those manufactured homes that meet new, more stringent ENERGY STAR criteria effective in 2010.
- As an incentive to incorporate efficiency into low-income housing projects, developers of housing that qualifies for the Low-Income House Tax Credit could also claim a credit worth 50% of the Energy Efficient Homes credit.
- The existing Energy Efficient Commercial Building Tax Credit would be increased. The credit, available for commercial buildings that are 50% better than the 2003 IECC code (with 2004 supplement) in terms of lighting, building envelope, and heating, ventilating and air-conditioning (HVAC) systems, would increase from \$1.80 per square foot to \$3 per square foot. A partial credit for buildings meeting any one of these three efficiency areas is currently eligible for a 60¢ per square foot credit; this bill would increase the partial deduction to \$1 per square foot.
- Of particular note, this bill would create a \$200 credit for energy ratings and audits – making the rating or auditing of one's home or business even more attractive as a step towards improving its efficiency. Correspondingly, there would be a \$500 credit for an individual to become a certified energy rater.

The second bill, the **Expanding Industrial Energy Efficiency Incentives Act of 2009 (S. 1639)** would expand the existing combined-heat-and-power systems incentive, establish a credit for energy-saving variable-speed electric motors, incentivize the replacement of CFC-based chillers, and create an investment tax credit for equipment that facilitates the reuse of water and greater water efficiency in industrial processes. The combined heat and power tax credit, currently applicable to the first 15 megawatts or 20,000 horsepower of a system's capacity, would be expanded to apply to the first 25 megawatts or 34,000 horsepower. Whereas currently the credit can only be claimed for systems of up to 50 MW or 67,000 hp, that cap would be eliminated under this bill. The credit would remain available through 2016.

These are excellent bills that will increase energy efficiency in addition to extending existing, proven credits. We strongly urge the Finance Committee to favorably report these bills to the full Senate this fall.

Sincerely,

Alliance to Save Energy  
American Council for an Energy-Efficient Economy  
American Institute of Architects  
Business Council for Sustainable Energy  
Environmental and Energy Studies Institute  
North American Insulation Manufacturers Association  
Recycled Energy Development  
The Dow Chemical Company  
The National Trust for Historic Preservation