



FOR IMMEDIATE RELEASE
Monday, October 1, 2012

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The Energy Future Coalition and its Rebuilding America Stakeholder Group Applaud the Introduction of the “Commercial Building Modernization Act”

Legislation introduced by Sens. Jeff Bingaman, Olympia Snowe, Benjamin Cardin, and Dianne Feinstein would improve the structure of the 179D commercial building tax deduction and encourage energy efficiency investments in America’s commercial buildings.

Reid Detchon, Executive Director of the Energy Future Coalition, today applauded U.S. Senators Jeff Bingaman (D-NM), Olympia Snowe (R-ME), Benjamin Cardin (D-MD), and Dianne Feinstein (D-CA) for their leadership in introducing S.3591, the “Commercial Building Modernization Act,” a bill that would extend and strengthen the existing 179D commercial building tax deduction for energy efficiency improvements in commercial buildings.

“This bill represents a major step forward in increasing energy efficiency investments in America’s commercial buildings, which use 20 percent of the energy in the United States and waste as much as half of that amount,” Detchon said. “By strengthening a key tax deduction and making it easier to use, the legislation could create nearly 80,000 jobs at a time when the U.S. construction industry desperately needs them.”

Section 179D of the Internal Revenue Code, originally enacted in the Energy Policy Act of 2005, provides a federal tax deduction for the costs of installing certain energy-efficient systems in commercial buildings. The deduction offers up to \$1.80 per square foot for improving the energy efficiency of existing commercial buildings or designing high efficiency into new buildings, benefiting investments that are designed to significantly reduce the energy cost of heating, cooling, water heating, and interior lighting. The deduction also can apply to architects or engineers who design buildings.

“The existing deduction is seriously underutilized by building owners due to technical barriers that are fixed by Senators Bingaman, Snowe, Cardin, and Feinstein’s bill,” Detchon said.

The Commercial Building Modernization Act would extend the existing 179D deduction through the end of 2016 while increasing its value to \$3.00 per square foot. In addition, the bill offers building owners the flexibility to allocate the value of the deduction to a third party – a critical feature for building owners such as non-profits, real estate investment trusts (REITs), and limited liability partnerships (LLPs) that lack the ability to take full advantage of the deduction.

The bill newly allows for partial deductions based on improvements over past energy performance. Ranging from \$1.00 per square foot for a 20 percent energy use improvement to \$4.00 per square foot for an improvement of 50 percent or more, the new deduction structure

gives building owners 60 percent of the value of the deduction as an up-front payment to help pay for the capital costs of energy efficiency upgrades. The remaining 40 percent of the deduction is disbursed upon verification that the upgrade is performing as planned – ensuring that the project results in real energy savings.

“By making these improvements in the Commercial Building Tax Deduction, Congress combines prudent tax policy with federal leadership in energy efficiency that will result in high performance 21st Century buildings. The bill is timely as it would also spur badly needed American manufacturing and construction jobs,” said Jared Blum, President of the Polyisocyanurate Insulation Manufacturers Association (PIMA).

“By expanding partial retrofit incentives to encourage a wider variety of retrofit projects and by including REIT’s in the pool of projects eligible for allocation of the 179D incentive will also jump start many projects previously sidelined while industry employment suffered. The reformed Section 179D legislation represents a vital trigger to moving a wider variety of significant efficiency projects off the drawing board and toward the project start phase. After a long period of depressing news for the construction industry this energy smart reform measure will play a role in a solid recovery that will increase employment in the skilled sector while saving building owners substantially on their energy bills for years to come,” said Stan Kolbe, Director of Legislation for the Sheet Metal and Air Conditioning Contractors’ National Association (SMACNA).

Marco Giamberardino, Executive Director of the National Electrical Contractors Association said, “We thank Senators Bingaman, Snowe, Cardin, and Feinstein for introducing this important commercial energy efficiency legislation. This bill will go a long way to expand the use of the existing tax credit by allowing building owners and tenants to allocate the incentive to contractors performing the work. Most importantly, the Commercial Building Modernization Act will create jobs for NECA contractors.”

To view Senators’ Bingaman, Snowe, Feinstein, and Cardin’s press release, [click here](#).

For full bill text, please [click here](#).

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About the Energy Future Coalition and Rebuilding America

The **Energy Future Coalition** is a broad-based, nonpartisan alliance that seeks to bridge the differences among business, labor, and environmental groups and identify energy policy options with broad political support. The Coalition aims to bring about changes in U.S. energy policy to address the economic, security, and environmental challenges related to the production and use of fossil fuels with a compelling new vision of the economic opportunities that will be created by the transition to a new energy economy. More information is available at: www.EnergyFutureCoalition.org.

The Energy Future Coalition's **Rebuilding America** stakeholder group is a diverse coalition of labor, business, utilities, manufacturers, and policy groups working to foster a robust, self-sustaining energy efficiency industry that will cut the energy waste in U.S. commercial buildings. More information is available at www.RebuildingAmerica.org.