

SUMMARY: ENERGY EFFICIENCY Tax Provisions 25C, 45L, 179D BUILD BACK BETTER ACT

U.S. House of Representatives Committee on Ways and Means
Source: Ways and Means Committee Print (September 10, 2021)

Committee Mark-Up: Tuesday, September 14, 9:00 AM ET

Energy Efficiency Credits for Individuals

Sec. 136301 Section 25C Energy Efficiency Tax Credit for Non-Business Energy Property: Extension, Increase and Modifications

Summary: The proposed 25C credit is extended for ten years, eliminates the lifetime cap for an annual cap, and expands the value of the credit to 30% up to \$1,200. Exterior windows and skylights in the aggregate are limited to \$200 with increased amounts for higher efficiency, with exterior doors similarly limited to \$250 and \$500 in the aggregate. A 30% credit up to \$150 is also provided for home energy audits.

- Credit extended for 10 years, through December 2031 for property placed in service after December 31, 2021.
- The lifetime cap is eliminated and replaced with an annual cap.
- The percentage of the credit is increased from 10% to 30%, with a maximum value up to \$1,200 without limitation on qualified energy property that meets the highest efficiency tier established by the CEE in effect the year in which the qualified property is placed into service.
- The credit allowed for eligible expenditures includes identified labor costs.
- Relevant qualified energy property includes:
 - Electric Heat Pump Water Heater
 - Electric Heat Pump
 - Central Air Conditioner
 - Natural Gas, Propane, or Oil Water Heater
 - Natural Gas, Propane, or Oil Furnace or Hot Water Boiler
- Modifications and limits to building envelope provisions Include:
 - The aggregate of exterior windows and skylights is limited to \$200, however when meeting the highest efficiency Energy Star certification then the credit amount allowed and limited is up to \$600. The credit for any exterior door is limited to \$250 with an aggregate for all doors up to \$500.
 - In general, exterior windows, skylights, and doors are subject to applicable Energy Star requirements, whereas all other building envelope components are subject to the most recent IECC in effect January 1 two years prior from the time in which the component is placed into service.
 - Roofs are not considered as building envelope components.
 - Insulation materials or systems designed to reduce heat loss or gain include air sealing or material or system (note that the title of this modification in the Committee Print is "AIR BARRIER INSULATION ADDED..." The Alliance is working with committee staff on

the appropriate language which should read “AIR SEALING ADDED...” The term “air barrier insulation” is not a common industry term and could result in market confusion).

- A 30% credit is available for home energy audits up to \$150.

Sec. 136303 Section 179D: Deduction for Energy Efficient Commercial Buildings

Summary: The proposed 179D provision is a broadened and enhanced temporary deduction, lifting the life-time limit for a three-year cap, and would also include tax-exempt entities. The base deduction ranges from \$.50 to \$1.00 per sq. ft., with a bonus deduction of \$2.50 up to \$5.00 per sq. ft., which is available when meeting identified prevailing wage and apprenticeship requirements. Both deductions are measured based on the energy and power reductions of 25% or more as compared to existing buildings that meet relevant ASHRAE standards, as of two years before the date the property is placed in service. An alternative deduction is also available, applying energy usage intensity.

- Effective beginning January 1, 2022 – December 31, 2031.
- The lifetime maximum available under the deduction is lifted and changed to three years.
- Identified tax-exempt organizations may assign the deduction similar to federal, state, and local governments.
- The total energy and power reduction percentage required for the deduction is reduced from 50% to 25%, which will incentivize additional participants using the deduction.
- There is a base deduction of \$.50 per sq. ft. with an increase of \$.02 per sq. ft. with each percentage increase of the total annual energy and power reduction greater than 25%, up to \$1.00 per sq. ft.
- However, a bonus deduction is provided when meeting identified prevailing wage and apprenticeship requirements in an amount of \$2.50 per sq. ft. with an increase of \$.10 per sq. ft. with each percentage increase of the total annual energy and power cost reduction greater than 25%, up to \$5.00 per sq. ft.
- An alternative deduction is available for retrofitting costs associated with a qualified retrofit plan based on energy usage intensity (EUI) when EUI is reduced by at least 25%, with a value equaling the base and bonus deduction allowance.

Sec. 136304 Section 45L: New Energy Efficient Home Credit: Extension, Increase and Modifications

Summary: The proposed 45L provisions raise the value of the credit for single-family and manufactured homes to \$2,500 when meeting the relevant Energy Star program requirements, or \$5,000 for those homes meeting the zero ready home certification. Multi-family is similarly tiered based on Energy Star and zero ready home, with a base credit of \$500 or \$1,000, and a bonus credit of \$2,500 or \$5,000 when meeting prevailing wage requirements. The 45L credit is extended for 10 years through December 31, 2031 and applying to units acquired after December 31, 2021.

- A credit of \$2,500 is available for a single-family or manufactured home that meets the relevant Energy Star Single Family New Homes National Program Requirements.¹
- A credit of \$5,000 is available for a single-family or manufactured home that is a certified zero energy ready home.
- A credit of \$500 or \$1,000 is available for multi-family² if the unit meets the most recent Energy Star Multi-Family New Construction National Program Requirements, or is certified under the zero energy ready home program respectively. The credit is increased to \$2,500 or \$5,000 when construction meets prevailing wage requirements, as tiered to the most recent Energy Star Multi-Family New Construction National Program Requirements, or is certified under the zero energy ready home program respectively.
- The 45L credit for new single-family and manufactured homes is extended through December 31, 2031 as to units acquired after December 31, 2021.

¹ For single-family, the home must meet the most recent program requirement locally in effect on January 1, 2022, or January 1, two years prior to the date the home is acquired, whichever is latter. Additionally, program version 3.1, for those homes acquired before January 1, 2025, and program version 3.2 for homes acquired after December 31, 2024. For manufactured homes, the relevant program requirements in effect on January 1, 2022, or January 1, two years prior to the date the home is acquired, whichever is latter.

² Based on the Multi-Family New Construction National Program Requirements in effect on January 1, 2022 or January 1 three calendar years prior to acquisition, whichever is latter; and also meets the most recent relevant Regional Program Requirements in effect on January 1, 2022 or January 1 three calendar years prior to acquisition, whichever is latter.