

**Broad Coalition Support for the
*Energy Efficiency Qualified Improvement Property (E-QUIP) Act***

April 1, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth HOB
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
139 Longworth HOB
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

Our diverse coalition includes architecture, clean energy, contractors, environmental, financial, manufacturing, and real estate organizations, construction codes and standards developers, and state associations. We come together to urge enactment of the bipartisan *Energy Efficient Qualified Improvement Property Act* (the “*E-QUIP Act*”), introduced today by Representatives Brad Schneider (D-IL) and Tom Rice (R-SC).

The *E-QUIP Act* is smart climate, energy, economic, infrastructure, and jobs policy. It would assist expensive retrofits of aging and obsolete HVAC, lighting, windows, roofs, envelope, and controls with state-of-the-art systems, by offering 10-year accelerated depreciation for “high performance” commercial and multifamily building components.

An [analysis by the American Council for an Energy Efficient Economy \(ACEEE\)](#) estimates the climate, energy, and jobs benefits of *E-QUIP Act* retrofit projects:

- 130,000 net additional job-years
- \$15 billion energy bill savings
- 100 million tons of carbon dioxide emissions avoided – or the equivalent emissions from 560,000 rail cars full of coal or taking 22 million cars off the road for one year.

Attached to this letter is a matrix that depicts the tax code’s complicated depreciation rules for building energy efficiency measures. Presently, cost recovery varies widely depending on whether the equipment is: installed on the interior or exterior of a building; as part of a commercial or multifamily residential building; and whether or not the property owner elects out of the tax code’s restrictions on deducting interest. This complex depreciation “patchwork” discourages businesses from making energy efficiency investments. It dampens technological innovations needed to modernize our nation’s building infrastructure, reduce energy consumption, and lower greenhouse gas emissions

The *E-QUIP Act* cuts across this confusion. It proposes a uniform 10-year depreciation period for energy-efficient building improvements – but *only* if the equipment meets stringent

“high performance” standards designed to achieve significant energy savings beyond baseline energy codes.

Key elements of the *E-QUIP Act* are:

- Elective 10-year, straight-line cost recovery period for a new category of depreciable property that meets the *E-QUIP Act*'s high-performance standards.
- Five-year duration of incentive.
- Applies to improvements in commercial buildings – as well as multifamily buildings subject to the same energy code requirements.
- Covers interior and exterior components of, and controls for, the main systems that most impact building energy consumption: (1) heating and cooling; (2) lighting; and (3) envelope.
- Available to replace or retrofit systems and components in buildings that are at least 10 years old.
- For HVAC components, high-performance standards pegged to latest specifications of the Consortium for Energy Efficiency.
- For most other components, high-performance standards pegged to latest version of the International Green Construction Code (IgCC).
- Certification requirement that *E-QUIP* is designed, installed, operated, and maintained by credentialed professionals.

Encouraging *E-QUIP* upgrades to replace older and obsolete equipment will not simply help reduce energy consumption with corollary climate benefits. The *E-QUIP Act* will also promote building health and resilience:

- Heating, cooling, and ventilation systems need to work harder and run longer hours in the COVID era to bring more fresh air from outside to indoors. Installations of high performance *E-QUIP* components can be leveraged to help reduce building occupants' exposure to infectious indoor aerosols.
- Recent storms have again exposed the vulnerability of our aging power infrastructure to extreme weather. The *E-QUIP Act* can help buildings absorb climate-related spikes in demand for power. Centralized grid infrastructure will endure less stress and become less prone to failure and blackouts if on-site energy consumption is reduced – as encouraged by state-of-the art retrofits induced by *E-QUIP*'s reasonable depreciation horizon.

The bipartisan *E-QUIP Act* should be a key component of an infrastructure, energy, or COVID-19 relief package designed to accelerate and sustain our economy's recovery from the pandemic. We thank Representatives Schneider and Rice for their leadership on this important measure and urge the *E-QUIP Act*'s swift enactment.

For more information, please contact The Real Estate Roundtable (www.rer.org):

- Ryan McCormick, Senior VP and Counsel, Tax Policy (rmccormick@rer.org)
- Duane Desiderio, Senior VP and Counsel, Energy Policy (ddesiderio@rer.org)

Air-Conditioning, Heating, and Refrigeration Institute

Alliance to Save Energy

American Council for an Energy-Efficient Economy

American Institute of Architects

American Resort Development Association

Appraisal Institute

Building Owners and Managers Association International

Chemical Fabrics and Film Association

Commercial Real Estate Finance Council

EPDM Roofing Association

Green Building Initiative

Home Innovation Research Labs

Illuminating Engineering Society

International Code Council (ICC)

International Institute of Building Enclosure Consultants (IIBEC)

International Council of Shopping Centers

International WELL Building Institute

Metal Construction Association

NAIOP, Commercial Real Estate Development Association

Nareit

National Apartment Association

National Association of Energy Service Companies

National Association of State Energy Officials

National Insulation Association

National Multifamily Housing Council

National Roofing Contractors Association

Natural Resources Defense Council (NRDC)

North American Insulation Manufacturers Association

Polyisocyanurate Insulation Manufacturers Association

Real Estate Board of New York

Sheet Metal and Air Conditioning Contractors' National Association (SMACNA)

Single Ply Roofing Industry (SPRI, Inc.)
Spray Polyurethane Foam Alliance
The Real Estate Roundtable
Tile Roofing Industry Alliance
U.S. Green Building Council
Window and Door Manufacturers Association

cc:

The Honorable Brad Schneider
The Honorable Tom Rice
Members of the House Ways & Means Committee
Members of the House Energy & Commerce Committee