NRCA

May 26, 2021

The Honorable Ron Wyden
Chair
Committee on Finance
U.S. Senate
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member
Committee on Finance
U.S. Senate
Washington, D.C. 20510

Dear Chairman Wyden and Ranking Member Crapo,

The National Roofing Contractors Association commends your leadership as the Committee considers the Clean Energy for America Act (S. 1298), a major overhaul of America's energy-related tax incentives.

Established in 1886, NRCA is one of the nation's oldest trade associations and the voice of roofing professionals worldwide. NRCA's nearly 4,000 member companies represent all segments of the industry, including contractors, manufacturers, distributors, consultants and other employers in all 50 states and internationally. NRCA members are typically small, privately held companies with the average member employing 45 people and attaining sales of $4.5 million per year. The U.S. roofing industry is an essential $100 billion+ sector with nearly 1 million employees that provides critical materials and services to ensure home and business safety.

The Clean Energy for America Act proposes modifications to several tax provisions of interest to the roofing industry. The primary provisions of interest to NRCA members are contained in Title III and would significantly expand three energy efficiency incentives related to the building sector: the Energy Efficient Commercial Building Tax Deduction (179D) which provides a deduction for energy efficiency improvements to commercial buildings; the Energy Efficient Home Improvement Credit (25C) designed to incentivize energy efficiency upgrades in existing residential buildings (including certain roofing products), and the Energy Efficient New Home Credit (45L) aimed at maximizing energy efficiency in new residences.

NRCA believes these enhanced and expanded tax credits would expand the ability of building owners to perform retrofits with higher levels of energy efficiency while providing significant environmental and economic benefits. The expansion of the 179D deduction will provide a greater incentive for more energy efficient new commercial buildings. However, it is unclear if this legislation would incentivize retrofits of existing buildings, which is vital to reducing carbon emissions. Moreover, it would not apply to energy efficient upgrades of individual building components including nonresidential roofs.

To target energy efficiency incentives more effectively for building owners contemplating retrofits of aging roofs, we believe a complimentary approach to your modification of the 179D deduction would be to include the Energy Efficient Qualified Improvement Property (E-QUIP) Act, as proposed by Reps. Brad Schneider (D-IL) and Tom Rice (R-SC) in the House. This legislation would provide for 10-year straight line depreciation for energy efficient qualified improvement property, including high performance non-residential roof systems. By providing an alternative to the complicated patchwork of rules for depreciation of building components in the tax code, including the outdated 39-year depreciation schedule for roof systems, the E-QUIP Act would facilitate retrofits of aging and obsolete commercial and multifamily buildings. The objectives of the E-QUIP Act are wholly compatible with those of the Clean Energy for America Act, and we would urge you to consider including E-QUIP as a supplement to the modified 179D or in any other energy tax legislation considered by the committee.

Lastly, while we believe the Clean Energy for America will be beneficial for the roofing industry, we have strong concerns with the prevailing wage requirements and provisions that would require a certain component of a contractor's employees be enrolled in federally registered apprenticeship programs with respect to the 179D tax credit. Only a very small component of roofing contractors can meet these requirements and as written would likely exclude over 90% of our members from participating in these projects. This would greatly limit the expansion of energy efficiency through retrofits of nonresidential buildings. Additionally, there would be a substantial cost to firms that could meet these requirements which would undermine the overall objectives of this bill. NRCA is supportive of registered apprenticeship programs but they are not a good fit for all companies, especially smaller employers. The approach taken to mandate registered apprenticeships for certain tax benefits also fails to recognize alternative workforce development models such as NRCA's ProCertification and Training for Roof Application Careers programs which incorporate competency-based career pathways for roofing employees.

Thank you for your consideration of NRCA's views on the Clean Energy for America Act and we look forward to working with the Committee to improve this legislation in the future. For more information, please contact Duane Musser in NRCA's Washington, D.C. Office at (202) 546-7584 or dmusser@nrca.net.

Sincerely,

Reid Ribble

Reid Ribble
Chief Executive Officer