March 29, 2021

The Honorable Ron Wyden
Chair, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Richard Neal
Chair, House Ways and Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Mike Crapo
Ranking Member
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
1139 Longworth House Office Building
Washington, D.C. 20515

RE: Internal Revenue Code Section 25C Tax Incentive for Homeowner Energy Efficiency Improvements

Dear Chairmen Wyden and Neal and Ranking Members Crapo and Brady:

We write in strong support for modernizing the Internal Revenue Code Section 25C tax incentive for homeowner energy efficiency improvements and to outline our priorities for doing so in a way that decarbonizes our nation's residential building stock, puts money in the pocket of homeowners through lower utility bills, and creates American jobs in communities large and small.

We applaud the leadership of Senators Maggie Hassan (D-New Hampshire) and Susan Collins (R-Maine) and Representatives Jimmy Gomez (D-California) and Mike Kelly (R-Pennsylvania) for introducing the Home Energy Savings Act in the 116th Congress (S.2588/H.R.4506). Their legislation represents a strong framework for updating this important credit.

We look forward to working with the tax-writing committees as you develop a legislative infrastructure package aimed at rebuilding from a pandemic that eliminated more than 300,000 energy efficiency jobs in 2020. As those efforts proceed, we want to highlight several key components for reforming the 25C investment tax credit that will help our country meet its ambitious economic and climate goals:

1. **Increase the value of the credit to at least $1,200**. The current $500 credit is too low to incentivize large-scale homeowner action on energy efficiency. Raising the credit amount to at least $1,200 will spur retrofit energy efficiency improvements at a scale necessary to meet ambitious carbon reduction goals.
2. **Increase the 25C tax credit from 10% to 30%.** Combined with an increase in the credit amount, a raise in the percentage of eligible improvements will provide a powerful incentive for homeowners to make costly, discretionary home energy efficiency retrofits.
3. **Eliminate the once-in-a-lifetime credit cap and adopt an annual cap.** The 25C tax credit covers a wide variety of energy efficiency improvements. It should be configured

to match homeowner behavior where targeted efficiency upgrades in air sealing, insulation, heating and cooling, and window replacement may be undertaken over multiple years.

4. **Provide a long-term extension of the 25C tax credit.** Extending the credit for five years or more will provide market certainty for manufacturers, contractors, and consumers making long term, substantial investment decisions.
5. **Ensure that materials and labor qualify as eligible expenses.** The installation process is a considerable portion of an energy efficiency retrofit project. Both material and labor should be covered by the credit.
6. **Expand the credit to include rental properties.** To favorably impact lower-income communities, consider expanding the incentive to cover rental properties and making the credit refundable for homeowners without tax liability.
7. **Clarify eligibility for certain products**. Specify that ENERGY STAR-rated smart thermostats as part of an HVAC system and air barriers as part of envelope improvements are both qualified expenditures under the statute.

Modernizing the 25C tax credit will put Americans to work improving the efficiency of our homes, improve housing affordability through lower utility bills, and cost-effectively reduce carbon emissions. We urge you to prioritize this important incentive as you develop infrastructure and clean energy legislation this Congress.

Sincerely,

cc: Senator Maggie Hassan
Senator Susan Collins
Representative Jimmy Gomez
Representative Mike Kelly