

April 15, 2015

The Honorable John Thune
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ben Cardin
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Via: Business@finance.senate.gov

Dear Senators Thune and Cardin:

The undersigned organizations represent the manufacturers, distributors, and contractors of the heating, ventilation, air conditioning, and refrigeration (HVACR) industry. We write in strong support of including the provisions of H.R. 636, *America's Small Business Tax Relief Act of 2015*, in your working group's recommendation to overhaul our nation's broken tax code.

This bipartisan legislation will benefit businesses of all sizes by permanently extending the Section 179 expensing allowances at the expanded levels that were in place from 2010-2014. Our member companies have taken advantage of the elevated expensing limits in past years to justify substantial investments that have allowed them to hire more workers, improve efficiencies, and expand their businesses. This legislation also removes the uncertainty caused by repeated short term extensions by making these changes permanent.

We also believe there will be a significant benefit from the section striking the exemption of air conditioning or heating equipment from the qualified investments eligible for Section 179 expensing. This small modification creates energy savings opportunities for small businesses and commercial building owners across the nation.

According to the U.S. Energy Information Administration's 2003 Commercial Building Energy Consumption Survey, 57% of the energy consumed in commercial buildings is for HVACR related activities. Small business owners today have little incentive to upgrade their HVACR systems since they must amortize the investment over 39 years because they are not eligible for Section 179 expensing. Too often this forces decision makers to repair and maintain older, inefficient equipment because the short-term costs are lower, despite the potential for long term savings.

There is tremendous pent up demand in the commercial building marketplace for HVACR system replacement. The 2003 Commercial Building Energy Consumption Survey (the most recent available) found that the less than 20 percent of buildings constructed before 1980 currently have upgraded HVAC equipment.

Thanks to increased federal energy conservation standards and the efforts of HVACR equipment manufacturers, today's equipment uses less energy and is cheaper to operate on an

annual basis than equipment purchased even ten years ago. These improvements translate to shorter payback periods and long-term cost savings, as well as lower green house gas emissions. In addition, older equipment contains previous generations of refrigeration chemicals that, if leaked into the atmosphere, represent a much greater environmental risk than today's modern, efficient, more environmentally-friendly systems.

Our associations believe these specific changes to section 179 could be a game changer in the effort to improve the energy efficiency of commercial buildings and spark a replacement boom in commercial HVACR equipment.

H.R. 636 was approved by the House of Representatives on February 13, 2015, by a 272-142 vote. Backed by this strong showing in the House, we urge your working group to recognize this important bill and include the provisions of H.R. 636 in your working group's recommendations to improving the tax code.

ACCA – The Indoor Environment & Energy Efficiency Association
Air-Conditioning, Heating, and Refrigeration Institute
Heating, Air-conditioning and Refrigeration Distributors International
Mechanical Contractors Association of America
Mechanical Service Contractors of America
Plumbing Contractors of America
Plumbing-Heating-Cooling Contractors Association
Sheet Metal and Air Conditioning Contractors' National Association