PATHFINDER
ENGINEERS & ARCHITECTS LLP

April 13, 2015

Senate Working Group

RE: Sec 179D Energy Efficient Commercial Buildings Deduction Should Be Included as Part of Tax Reform

Dear Senate Working Group,

As the Senate Finance Committee considers the critical issue of tax reform, we urge a longer-term extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings, with the refinements to the provision included in S. 2189, the Energy Efficiency Tax Incentives Act, and S. 2260, the Expiring Provisions Improvement, Reform, and Efficiency Act, both introduced in the 113th Congress. Section 179D was last extended as part of the Tax Increase Prevention Act of 2014 (Pub. L. No. 113-295); the provision expired on December 31, 2014

I am writing on behalf of my firm Pathfinder Engineers & Architects, LLP located in Rochester N.Y and as an active member of the American Council of Engineering Companies (ACEC). We employ 30 and operate in all areas and counties within New York State and across the Northeast. Energy efficiency improvements in buildings are our primary practice. The 179D program has been of critical importance to my firm and our clients. Economic development is and continues to be challenged in western NY. The 179D program has provided an important and critical incentive to improve our aging facilities infrastructure and has allowed my firm to invest in technology and staff in lieu of higher taxes.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. Although it has been extended 3 times, as of December 31, 2014 it is currently expired. Since the inception of 179D, it has assisted thousands of building owners in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state.
Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.
HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.
The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers,

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carpenters, installers and laborers are needed to handle the material and incorporate it into a building. In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security

Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained.
Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead

Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation.

Conclusion

Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We strongly support its inclusion as the Senate Finance Committee contemplates Tax Extenders.

Thank you for your consideration and support.

Sincerely,



David J. Meyer, PE
Partner