



March 11, 2019

The Honorable Charles Grassley
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Grassley and Ranking Member Wyden:

The undersigned real estate associations would like to take this opportunity to thank you for introducing the *Tax Extender and Disaster Relief Act of 2019* that would extend the New Energy Efficient Home Credit (IRC Section 45L) through 2019. Given that the 2019 tax filing season is already well underway, we believe Congress should pass tax extenders legislation impacting 2018 tax returns as swiftly as possible. We also appreciate that your legislation would provide tax certainty for investments made in 2019.

The New Energy Efficient Home Credit enables builders of new single-family homes and low-rise multifamily properties (three stories or less) to claim a \$2,000 per-unit tax credit for those residences that achieve a 50 percent energy savings for heating and cooling over the 2006 International Energy Conservation Code. The provision has provided a powerful incentive for contractors to install higher performance building systems and upgraded appliances than they otherwise could justify within the *pro forma* for developing the property.

The New Energy Efficient Home Tax Credit is very well designed and managed:

First and foremost, home builders and multifamily developers appear willing to modify their designs and specifications to take advantage of this incentive, which is exactly the type of behavior Congress should use a tax credit to encourage. In other words, the credit truly modifies behavior.

Second, the tax incentive provides home buyers and multifamily residents a downstream benefit as well. Residents receive ongoing benefits from the provision through reduced utility expenditures associated with high-efficiency building systems.

Third, the credit is designed only to reward true energy efficiency: Utilization of the Section 45L credit requires additional upfront engineering, construction costs, and expenses for a third-party professional to certify that the property has achieved the required metrics.

Fourth, the *Tax Cuts and Jobs Act* (Public Law 115-97) enhanced the credit. By significantly reducing the incidence of the individual alternative minimum tax (AMT), Congress removed a key impediment preventing some home builders, multifamily developers, and investors from using the incentive. As a general business credit, Section 45L is ineligible to offset the AMT.

We strongly believe that the New Energy Efficient Home Credit should be renewed so that it can continue to motivate the development of high-performance residential properties.

Thank you considering our views.

Sincerely,

National Multifamily Housing Council
National Apartment Association
National Association of Home Builders
National Association of REALTORS®
National Leased Housing Association
Leading Builders of America
The Real Estate Roundtable