Section 45 L Tax Credit: A New Plan

RESNET Building Performance Conference

David B. Goldstein
Natural Resources Defense Council
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The 2005 Structure for the Tax Credit is Obsolete

The structure was designed in 1999 as part of the Clinton climate protection plan

...before HERS index was widely used

The target was based on data from DOE on heating and cooling savings

Adding water heating would produce unintended side effects on fuel choice and total savings, especially in climate pollution
Old 45L met its goal so it is time to move on

- The old credit applied only to 2006-7, but was later extended prospectively for 2 years
- Market shares of complying homes grew rapidly
- Retroactive further extensions didn’t do much because builders could not prepare
Principles for Market Transformation thru tax credits

Encourage the highest levels of efficiency, which requires long-lived national-scale program

- Provide “automatic” QA/QC so that IRS can administer without learning about energy analysis
- Link with other efficiency programs, including codes, Energy Star, rating/labeling programs, and utility programs

- RESNET is enhancing its QA/QC efforts

A high bar also keeps the costs to the Treasury low
Consensus Criteria for a new 45L program

- Solve the problem of an on-again, off-again program
  - ...by enacting a 10-year continuing program
- It also argues for a rating system that is stable over time

This requires not depending on Congress to raise the bar when appropriate because it will be done without their involvement.

Also does not depend on a DOE determination
- Because DOE has often been slow in making code determinations
Elements of the Proposal

- A ten-year tax credit of $3000 for meeting a listed HERS score
- Administrative improvement to make the credit more available to custom homes
- An automatic adjustment to lower HERS or ERI scores when the current system meets a target of 10% market share of all rated homes
- Initial level is compliance with ASHRAE 90.2-2018
Some technical details

DOE determines the percentage of rated homes in a calendar year that qualified for the credit.

If the percentage exceeds 10, the bar is set to the level that achieved 5% market share.

The new score applies to the calendar year following the DOE determination.

DOE iterates again after that year.
Some administrative details

Eligibility

Interaction with solar tax credit:
- no double dipping
- envelope backup in ASHRAE 90.2
Questions?

Questions or concerns not addressed here —
Please email: dgoldstein@nrdc.org