

United States Senate

WASHINGTON, DC 20510

February 10, 2012

The Honorable Tim Geithner
Secretary
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jeffrey Zients
Acting Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Secretary Geithner and Acting Director Zients:

We write you today to encourage you to advance tax policies that will improve our country's energy security and grow the United States economy. Specifically, it is critical that we focus on policies to improve energy efficiency and continue to support clean energy incentives.

According to the most recent data available, in the third quarter of last year consumers spent 6.2 percent of their personal income or \$668 billion on an annualized basis, on energy, which is the highest amount on record. This is not only a burden on household income, but it drains capital for additional investment as well as reducing expenditures on other value-added good that create jobs and improve quality of life. As a result, we support the Administration's adoption of ambitious fuel economy standards, as well as its investment in the Weatherization Assistance Program.

Our country's tax policies can be a powerful tool to help businesses make investments in energy supplies that will provide cleaner, more affordable energy. More critically, they can provide a key method for consumers to reduce their energy bills. It is well past the time that we overhaul our energy tax policies to achieve these objectives.

First, we believe that our federal energy policies should be targeted to assist households improve their energy efficiency. Accordingly, we would ask that as part of your budget request you prioritize energy efficiency tax policies. Specifically, we encourage you to include a performance-based residential energy efficiency tax credit, which incentivizes actual energy savings, for homeowners. For example, the Cut Energy Bills at Home Act, S.1914, would establish a \$2,000 tax credit for expenditures that improved the efficiency of a building by 20 percent. With our construction industry experiencing unemployment levels of 16 percent in December 2011, the energy efficiency retrofit market presents an opportunity to address a key sector of the economy while reducing energy bills for consumers. We would encourage you to consider including this legislation in the President's budget request for 2013.

Regrettably one successful tax credit, the new energy efficient homes tax credit (26 U.S.C §45L), which provides a modest \$2,000 tax credit for the construction of a single home that is 50 percent more efficient than code, has already expired. We urge you to continue to support the extension of this credit.

In addition, as authors of the Energy Efficient Commercial Building Deduction (U.S.C 179D) we support the Administration's Better Building Initiative to reduce energy consumption in the commercial building sector. Consistent with the President's announcement on December 1, 2011, we encourage the Administration to issue guidance for partial deduction pathways for the

building envelope as well as the heating, ventilation, and air conditioning (HVAC) system. In addition, we strongly support the effort to simplify the 179D tax deduction, especially for existing buildings, and look forward to working with you in this effort.

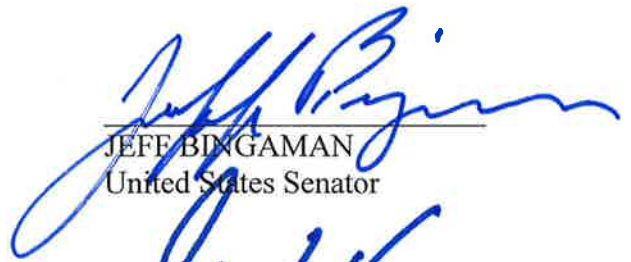
As you know, clean energy production also provides critical jobs across the United States. However, our tax policies fail to provide certainty for businesses to plan for major construction projects throughout the country. Currently, the renewable energy production tax credit and the election to claim a 30 percent investment tax credit (26 U.S.C §45 and 26 U.S.C §48(A)(5)) are scheduled to expire at the end of this calendar year for wind facilities. As a result of the production tax credit expiring, the Energy Information Administration is estimating a one-hundred percent reduction in wind generation installations in 2013. In fact, given the long lead time to purchase equipment, receive the necessary local and federal permits, the entire wind industry is developing business plans under the assumption that this significant tax credit will expire and beginning to reduce its workforce. This will and has already caused major ramifications across the U.S. economy. In addition, offshore wind proponents have been clear that an investment tax credit is well suited to help start this fledgling domestic industry. While we strongly support the need to move towards tax policies that reduce federal revenue loss, reward innovation, and improve performance, we do not believe the complete elimination of the current incentive regime for clean technologies without a viable alternative is in the best interest of our economy. Accordingly, we would ask that you work with us in developing a set of policies that offers long-term support to the clean energy and efficiency sectors, are fiscally responsible, and maintain clean energy jobs in the United States.

We thank you for your consideration of this request and look forward to your response.

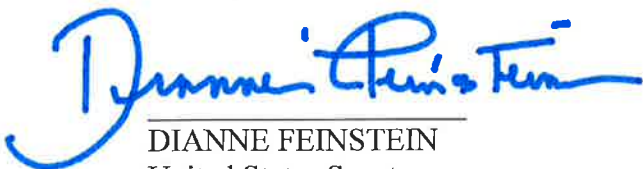
Sincerely,



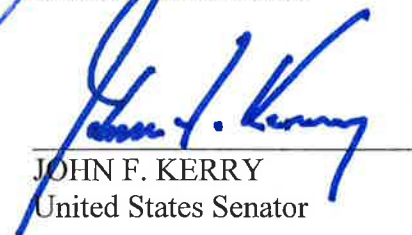
OLYMPIA J. SNOWE
United States Senator



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United States Senator



DIANNE FEINSTEIN
United States Senator



JOHN F. KERRY
United States Senator



MARIA CANTWELL
United States Senator



THOMAS R. CARPER
United States Senator

Cc: The Honorable Stephen Chu, Secretary of Energy