Encouraging Energy Efficiency: A Tax Fix Everyone Can Get Behind

Published on **14 Aug 2011** | Written by **Lane Burt** | Posted in **Advocacy and policy**

Pretend you are a small business owner. You happen to own the building where your business is housed, which has helped you weather the recession. Things seem to be getting better, and you have the opportunity to make some investments in your company that could really pay off in the long run.

You'd like to figure out how to cut your operating expenses, especially utilities, which have gone up and up and up over the last 10 years. You know your building is pretty old and leaky, and that much of that energy you buy is wasted. You've heard the President talk about efficiency retrofits and think that might be a smart investment that will cut your energy bills and pay for itself.

But there is a problem. If you invest in your own building energy efficiency, you will have to pay federal taxes on the value of the investment. If you were to keep wasting energy, all that wasted money would be completely deductible from your taxes.

That's right; in effect our tax code unintentionally subsidizes wasted energy. Despite the economic benefits (not to mention the domestic job creation and the environmental benefits), investments to create energy efficient, better buildings do not receive the same treatment under the tax code as wasted energy.

That's why USGBC is working with a diverse coalition of industry and environmental organizations, like the Natural Resources Defense Council and the Real Estate Roundtable, to change that. It's our highest priority to convince Congress that energy efficiency is at least as valuable to the nation's prosperity as wasted energy.

We've proposed changes to fix Section 179D of the tax code, and existing policy designed to encourage energy efficient new construction to make it usable for existing buildings. You can read more about those changes here.

The positive impact of this tax code tweak would be immense – 77,000 new jobs and immense savings on energy bills where we live and work. Those are benefits that will be felt not only by those who do the work, but also by everyone who works in an office, stays in a hotel, shops at a mall, or lives in an apartment.

But what will be the cost to the treasury? Not much if anything for one major reason – all those investments we want to encourage will drastically decrease the total amount of money spent on energy at businesses across the country, thereby lowering the total expenses deducted from their taxes for years to come. Instead of deducting wasted energy, they will reap energy savings and reinvest that money in much more productive ways.

This is one tax fix that nearly everyone can get behind. We plan to advocate tirelessly for these changes on behalf of our members, many of whom own the buildings, make the more efficient products, and will design and engineer the retrofits. Stay tuned for opportunities to get involved.

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Member employees, USGBC staff

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