VIA EMAIL

January #, 2025

The Honorable Mike Crapo
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member, Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Jason Smith
Chairman, Ways and Means Committee
House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member, Ways and Means Committee
House of Representatives
Washington, D.C. 20515

RE: 25C Energy Efficient Home Improvement Tax Credit

Dear Chairman Crapo, Chairman Smith, Ranking Member Wyden, and Ranking Member Neal:

The over ## signatories to this letter from ## states support the 25C energy efficient home improvement tax credit and ask that it not be legislatively eliminated or weakened. We represent the heating, ventilation, air conditioning and refrigeration (HVACR), water heating, insulation, and home performance contractors, distributors, and manufacturers that form the backbone of the U.S. energy efficiency industry. Our workforce is deeply rooted in communities across every state – 99.9% of all counties in the U.S. host energy efficiency workers who contribute to local economies and advance energy savings nationwide, all while performing jobs that often cannot be outsourced.

The pre-Inflation Reduction Act 25C tax credit had structural flaws limiting its market impact. The 25C tax credit was signed into law by President Bush in 2005. It provided a homeowner tax credit of 10 percent for efficiency investments and a lifetime limit of $500. Over time, inflation diminished the value of the credit, as did its lifetime cap on use. Yearly uncertainty over reauthorization also limited its effectiveness. The 2022 credit update provides long-term certainty and increased value, making it more attractive to homeowners wanting to make energy efficiency upgrades.

Taxpayers realize significant tax savings by investing in their homes. In 2023, over 2.3 million tax filers claimed the credit and reduced their tax burden by an average of $882. For most families, utility bills are their second-largest fixed expense.

The savings unlocked by the tax credit are recurring and significant. The tax credit enables taxpayers to invest in more efficient heating and cooling systems, windows, insulation, and air sealing. These investments unlock energy savings that decrease monthly utility bills.

The housing stock in America is aging and in need of updating. The median age of a home in the U.S. is 40 years old. Heating and cooling systems need replacement every 15-25 years. A recent study found that 89 percent of homes in the U.S. are under-insulated. The 25C tax credit empowers homeowners to make equipment replacements and building envelope upgrades with an eye toward maximizing the long-term energy efficiency of the home.

The 25C tax credit is fuel neutral. The home envelope improvements and wide spectrum of HVAC upgrades eligible for the 25C tax credit may lower monthly energy use and costs for homes with all fuel types.

Beyond the pocketbook benefit to homeowners, there are multiple compelling reasons to support the 25C tax credit and make our nation's homes more energy efficient: energy-efficient homes are more resilient in extreme weather; energy-efficient homes are healthier homes; and building energy efficiency enables utilities to better manage demands on the electrical grid. It is for these reasons that we urge Congress to maintain the current 25C tax credit.

Sincerely,