



COOL AND EFFICIENT BUILDINGS ACT

POSITION:

SMACNA supports **HR 1888**, a bill amending the depreciation recovery period for energy efficient mechanical equipment for HVAC systems to improve environmental quality and reduce building operation expenses while saving energy.

ISSUE:

The “Cool and Efficient Buildings Act,” **HR 1888**, would amend the Internal Revenue Service Code to reduce the depreciation period for energy efficient mechanical equipment for heating, ventilating and air conditioning (HVAC) to twenty years from the current thirty-nine year depreciation period. With the recent energy price spike and potential shortages on the horizon is one of many efficiency initiatives needed now. Cosponsored by 60 bipartisan members of Congress, this bill is expected to go far in the 110th Congress.

SMACNA has long urged Congress to enact an aggressive federal tax incentives and procurement policy that encourage far greater energy efficiency in both commercial and public buildings. While some policy makers have suggested that an even shorter (10-15 year) HVAC mechanical equipment depreciation period could be combined with a significant tax credit for high efficiency HVAC systems to save even more energy, this legislation would go far in encouraging building owners to retrofit their properties now with higher efficiency, chlorofluorocarbon (CFC) free technology. The Cool and Efficient Buildings Act would create a valuable incentive to upgrade commercial buildings with readily available high efficiency HVAC technology using 30-40 percent less energy.

FACTS:

- A 20-year depreciation period would reduce current disparity between tenant depreciation expenses, and tenant demands and building use patterns.
- Reducing the depreciation cost recovery period would further provide incentives to invest in high-efficiency energy systems for facility lighting, heating and air conditioning. Such improvements are known to lower building operating costs and improve indoor air quality.
- The proposed 20-year depreciation period would be far more realistic than the current IRS depreciable life of 39 years for the building mechanical systems.

STATUS:

H.R. 1888 was introduced April 17 with 32 bipartisan cosponsors. Similar to the bill introduced in the 109th Congress the bill was referred to the House of Representatives Way and Means Committee. Hearings are anticipated in 2007 on this important energy efficiency legislation. **S. 1407**, The Smart Buildings Act introduced May 16, 2007, would provide 20-year depreciation on HVACR systems or components if they exceed by 10 percent applicable minimum performance standards as found in ASHRAE 90.1, the 2005 Energy Policy Act and National Appliance Energy Conservation Act of 1987.

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CAPITOL HILL OFFICE: 305 4TH STREET NE • WASHINGTON DC 20002
PHONE: 202 547 8202 • FAX: 202 547 8810

HEADQUARTERS: 4201 LAFAYETTE CENTER DRIVE • CHANTILLY VA 20151-1209
MAIL ADDRESS: P.O. BOX 221230 • CHANTILLY VA 20153-1230
PHONE: 703 803 2980 • FAX: 703 803 3732
WEB: www.smacna.org