



June 27, 2008

The Honorable Max Baucus
Chairman, Senate Finance Committee
SD-219 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Charles Grassley
Ranking Member, Senate Finance Committee
Washington, DC 20510

Dear Chairman Baucus:

The undersigned organizations represent the wholesalers, distributors, and contractors of the heating, ventilation, air conditioning, (HVAC) and plumbing industries. Our organizations have a strong track record in providing energy efficient solutions to homeowners and building owners looking to realize the comfort, convenience, and cost benefits of energy efficient HVAC and plumbing equipment.

We strongly urge the Senate to expedite consideration of S. 3125, the Energy Independence and Tax Relief Act of 2008. Included in S. 3215 are provisions to extend current and expired tax incentives that will spur investment in high efficiency HVAC and plumbing equipment. Members of the Senate now have the opportunity to move forward to achieve the ultimate goal of energy efficiency by providing American consumers with economic incentives for becoming energy efficient by extending the above mentioned tax credits.

Specifically, S. 3125 provides for the extension of Section 25C of the IRS Code, which grants up to \$500 in tax credits to home owners who elect to install high efficiency appliances in existing homes. Our organizations have found this particular tax credit to be a strong incentive that reduces the payback period for home owners who select a higher efficiency furnace, air conditioner, heat pump, boiler, or water heater.

However, we are concerned that the delay in extending this successful tax credit is causing homeowners to miss the opportunity to benefit from lower utility costs and increased energy efficiency.

Most homeowners replace their older, inefficient HVAC and plumbing equipment when it breaks down beyond repair, which typically occurs in January and February for heating equipment, and June, July, and August for cooling equipment. In order to make sure consumers can take full advantage of Section 25C, action on S. 3125 must be completed in the very short term.

While the extension proposed in S. 3125 would be retroactive to January 1, 2008, Section 25C must be extended beyond the proposed expiration date of December 31, 2008. More than half of the proposed extension has already passed and includes the months that see the highest incidence of HVAC and plumbing equipment replacement. Homeowners faced with equipment replacement since the beginning of the year could not rely on information that Congress may pass an extension of Section 25C. As a result, we will never know how many homeowners that purchased a new furnace, air conditioner, heat pump, boiler, or hot water heater since the beginning of the year would have opted for a higher efficiency product.

As the Senate moves toward consideration of S. 3125, or any legislative proposal including tax extenders that include Section 25C, we implore you to consider at least a two year extension of this important provision. Doubling the term of the extension should not double the cost in lost revenues. The Senate Finance Committee scored section 142 of S. 3125 at \$1.06 billion over ten years, and it expands the tax credit to make eligible special roofing materials. However, in February of this year, the Joint Tax Committee scored a two year extension of § 25C (section 232 in HR 5351) at \$1.526 billion over ten years, and it does not include the roofing material language.

The manufactures, wholesale-distributors, and contractors of equipment eligible under Section 25C, along with energy efficiency advocates and the federal government need sufficient advance notice to adequately advertise and promote the tax credit so that it can be a successful tool in promoting energy efficiency in our nation's homes.

We look forward to working with you on tax incentives for high efficiency HVAC and plumbing equipment and other matters important to our industry. Accordingly it is our sincere hope that Congress will see fit to provide American consumers and businesses with economic incentives for becoming more energy efficient.

Air Conditioning Contractors of America
American Supply Association
Heating, Airconditioning, and Refrigeration Distributors International
Plumbing-Heating-Cooling Contractors Association

cc: All Senators