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## Energy Efficient Depreciation Reform

### **Quality Construction Alliance Position:**

*The QCA strongly supports legislation 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 HVAC mechanical system depreciation reform legislation 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 fifteen years from the current thirty-nine year depreciation period. Recent energy price spikes and future potential shortages are why efficiency initiatives are needed now.

QCA has long urged Congress to enact aggressive federal tax incentives and procurement policies 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. HVAC mechanical system depreciation reforms would create a valuable incentive to upgrade commercial buildings with readily available high efficiency HVAC technology using 30-40 percent less energy.

- A 15year 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 15 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. 1265** To amend the Internal Revenue Code of 1986 to permanently extend the 15-year recovery period for qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property.

Sponsor: Rep. Jim Gerlach [R-PA6](introduced 3/30/11).  
Co-Sponsors: 17  
Last Major Action: 3/30/11: Referred to the House Committee on Ways and Means.  
Status: Referred to the House Committee on Ways and Means.

<http://www.govtrack.us/congress/bill.xpd?bill=h112-1265>

**ICE**

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of Bricklayers and Allied Craftworkers

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**MCAA**  
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**Status (Continued):**

**S. 687**

A bill to amend the Internal Revenue Code of 1986 to permanently extend the 15-year recovery period for qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property.

Sponsor:

Sen. Kent Conrad [D-ND](introduced 3/30/11).

Co-sponsors

10

Last Major Action:

3/30/11: Read twice and referred to the Committee on Finance.

Status:

Read twice and referred to the Committee on Finance.

<http://www.govtrack.us/congress/bill.xpd?bill=s112-687>

*Updated June 1, 2011*

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