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National Roofing Contractors Association

Statement for the Record

House Committee on Ways and Means

"Energy Tax Incentives Driving the Green Job Economy"

April 14, 2010

Mr. Chairman and distinguished members of the committee, the National Roofing Contractors Association (NRCA) commends you for holding this hearing entitled "Energy Tax Incentives Driving the Green Job Economy." NRCA greatly appreciates the opportunity to submit a statement for the hearing record on this important issue.

Established in 1886, NRCA is one of the nation's oldest trade associations and the voice of professional roofing contractors worldwide. It is an association of roofing, roof deck, and waterproofing contractors; industry-related associate members, including manufacturers, distributors, architects, consultants, engineers, and government agencies; and international members. NRCA has approximately 4,000 members from all 50 states and 54 countries. NRCA contractors typically are small businesses, and the average member employs 45 people in peak season with sales of $4.5 million per year.

NRCA in the Forefront of Promoting Energy Efficient Roofing Technologies

NRCA members believe that current trends toward the adoption of "green" buildings are key drivers of economic growth in our industry, and are working to maximize the economic and environmental benefits of upgrading the energy efficiency of the nation's building stock. NRCA contractor, manufacturer and distributor members are in the forefront of developing and installing a wide variety of green technologies, such as vegetative roofs that reduce urban "heat island" effects and storm-water runoff, "cool" roofs that reduce energy consumption by reflecting sunlight, and photovoltaic roof systems that generate electricity from solar power. Further development of green roofing technologies will provide more opportunities to stimulate economic growth and job creation while reducing energy consumption and protecting our environment.

The Green Roofing Energy Efficiency Tax Act Will Create Jobs

The roofing industry is uniquely positioned to play an important role in quickly creating high quality jobs by enhancing the energy efficiency of our nation's buildings. With unemployment in the construction industry at an alarming 24.9 percent, according to the most recent Bureau of Labor Statistics data, NRCA urges Congress to take immediate action on targeted policy measures that will spur job creation in the construction sector.

The "Green" Roofing Energy Efficiency Tax Act (GREETA, H.R. 426) will immediately create new jobs among U.S. manufacturers and contractors while also helping to conserve energy and reduce carbon emissions. This common sense investment in the emerging "green" building sector will result in more "boots on the roof" within days of enactment. According to a study conducted by Ducker Worldwide, a leading industrial research firm, GREETA will produce the following economic benefits by accelerating the adoption of energy-efficient roofs in the commercial building sector:

- Create 40,000 new contracting and manufacturing jobs;
- Add $1 billion of taxable annual revenue to the economy;
- Provide savings to small businesses through a simpler and more equitable system of taxation and lower energy costs.

H.R. 426 was introduced by Reps. Bill Pascrell (D-NJ) and Wally Herger (R-Calif.) and has over 30 bipartisan cosponsors. This legislation will facilitate greater levels of investment in green technologies and spur economic growth within the construction and manufacturing industries. It will do so by amending section 168 of the Internal Revenue Code to provide a 20-year tax depreciation schedule for commercial roof systems that meet a specific energy-efficiency standard.

Passage of GREETA is necessary because between 1981 and 1993 the depreciation schedule for nonresidential property was increased from 15 years to 39 years. However, the current 39-year depreciation schedule is not a realistic measure of the average life span of a commercial roof. The Ducker Worldwide study determined the average life expectancy of a commercial roof to be only about 17 years.

The large disparity between the current 39-year depreciation schedule and the average life span of a commercial roof serves as a major incentive for building owners to delay the replacement of failing roofs. This disincentive is slowing the adoption of more advanced energy-efficient and environmentally-beneficial roofs, because an owner who replaces a roof before 39 years have elapsed must continue to depreciate that roof for tax purposes even though it no longer exists. A Treasury Department Report to Congress on Depreciation Recovery Periods and Methods (July, 2000) corroborated this quandary by finding "…a 'cascading' effect, where several roofs are being depreciated at the same time, even though only one is physically present." Given this situation, many building owners choose to do only piecemeal repairs, most often with older technology, rather than replace a failing roof in its entirety with new, more energy-efficient materials.

GREETA will rectify this situation by reducing the tax depreciation schedule for commercial roofs from 39 to 20 years for roofs that meet the energy efficiency requirements of the benchmark Standard 90.1 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE). Enactment of this legislation will accelerate the adoption of energy-efficient commercial roof systems by eliminating the disincentive in the tax code for building owners to install energy-efficient commercial roofs. As noted, this will have a positive impact on the economy and job creation by spurring greater demand for energy efficient roofs. Enactment of GREETA will also benefit small businesses by eliminating or mitigating the "cascading effect" of having to depreciate more than one roof in instances where a roof must be replaced before the 39-year depreciation schedule has been completed.

Given GREETA's unique combination of job creation and environmental benefits, this legislation enjoys strong support among both business groups and organized labor, including the United Union of Roofers, Waterproofers and Allied Workers, the Joint Roofing Industry Labor and Management Committee, the Asphalt Roofing Manufacturers Association, the American Society of Heating, Refrigeration, and Air Conditioning Engineers, the Building Owners and Managers Association, the Center for Environmental Innovation in Roofing, the International Council of Shopping Centers and the Polyisocyanurate Insulation Manufacturers Association. GREETA also enjoys the strong support of numerous U.S. building material manufacturers.

Targeted GREETA Proposal

NRCA is also working with union and industry partners on a targeted version of GREETA that is designed to maximize job creation in the short term in order to help reduce the high rate of unemployment in the construction industry. This targeted proposal adopts key components of the Energy-Efficient Commercial Roofs Act of 2009 (H.R. 2615), legislation by Reps. John Larson (D-Conn.) and Dean Heller (R-Nev.), which NRCA strongly supports. H.R. 2615 would provide a 30 percent tax credit for energy efficient commercial roofs which meet a specified energy efficiency standard.

Recognizing the need to focus on immediate job creation, as well as current federal budgetary constraints, the targeted proposal is designed to maximize both job creation and enhanced energy efficiency in the short-term. The proposal applies only to upgrades of existing roofs and does not apply to new construction, and applies only to roofs upgraded in 2010 and 2011. To maximize the energy savings provided by qualifying roofs, the targeted proposal would utilize the more stringent energy-efficiency standards contained in H.R. 2615. Thus, in order to obtain 20-year depreciation as specified in GREETA, the newly installed roof must meet minimum R-values (thermal resistance) that are significantly higher than those required under existing state and local building codes. The R-values are set to achieve maximum energy efficiency without being so costly that building owners would ignore the more attractive 20-year depreciation. Additionally, the provision would apply only to low-slope roofs where the insulation is installed entirely above deck (a category that covers approximately 62% of existing commercial building floor space).

By accelerating demand for energy-efficient roofs in the commercial building sector, the targeted proposal will:

- Create 40,000 new “green” jobs among roofing manufacturers and contractors;

- Add $1 billion of taxable annual revenue from the roofing industry;

- Reduce U.S. energy consumption by 11. 4 trillion Btu and save small businesses and consumers $86 million in energy costs.

- Reduce U.S. carbon emissions by approximately 800,000 million metric tons (equal to emissions from 153,000 cars);

The energy saving and carbon emission reduction estimates for this targeted version of the legislation have been calculated using the U.S. Department of Energy’s EnergyPlus simulation software.

NRCA believes that this targeted proposal combining key components of H.R. 426 and H.R. 2615 is a highly credible short-term proposal for creating badly needed jobs in the commercial construction sector while also significantly improving the energy efficiency of the nation’s building stock. NRCA urges Congress to address the alarming 25 percent unemployment rate in the construction industry by moving forward now with “green jobs” tax legislation that contains this targeted proposal or similar language. NRCA looks forward to working with the members of the Ways and Means Committee towards this objective.

Thank you for your consideration of NRCA’s views on this issue of vital importance to the roofing industry.