Home Energy Savings Act of 2019 (S.2486)
Senators Maggie Hassan and Susan Collins
Representatives Jimmy Gomez and Mike Kelly

Section-by-Section

Sec. 2. Extension of Credit for Nonbusiness Energy Property

The 25C residential energy efficiency tax credit expired at the end of 2017, and currently remains expired. Previously, this tax credit was available to homeowners to cover part of the cost of upgrades that improve the energy efficiency of their homes, such as investments in energy efficient windows, air conditioners, furnaces, boilers, electric heat pumps, and water heaters.

This section would retroactively extend the credit for two years without modifications, allowing the 25C credit to be claimed for 2018 and 2019.

Sec. 3. Updating Credit for Nonbusiness Energy Property

This section would proactively extend the 25C credit for seven years, through 2026, with the modifications in this section effective in January 2020.

Increase of credit rate and lifetime cap: The expired section 25C credit covered 10 percent of qualifying investments, up to a maximum $500 lifetime cap. This section would increase the credit to cover 15 percent of qualifying investments, up to a $1,200 lifetime cap. This lifetime cap would be reset upon enactment of the legislation. These changes would allow homeowners to invest in multiple energy efficiency upgrades.

Update of energy efficiency standards: This section would update the efficiency standards that products must meet to qualify for the 25C credit. Many updates to these product-specific standards are detailed below, alongside modifications of product-specific credit caps. If any efficiency standard referenced in the bill were terminated, the Secretary of the Treasury, in consultation with the Secretary of Energy, would be directed to replace it with a similar standard.

Modification of certain product category caps: The expired 25C credit was capped for specific product categories. This section would raise or otherwise modify certain individual product category caps, as detailed below. There are two main types of products eligible for the 25C credit: building envelope improvements and "qualified energy property."

1. Building envelope improvements: Building envelope improvements include energy efficient windows, doors, and roof products. Building envelope products were eligible for the expired 25C credit if they meet the 2009 International Energy Conservation Code standard. This section would update § 25C to require building envelope products to meet the 2015 International Energy Conservation Code standard, with the exceptions for windows and doors below.

Further, under the expired 25C credit, building envelope products were subject to the $500 lifetime credit cap, but, with the exception of windows, were not otherwise subject to product

category caps. For all building envelope products but windows and doors, this section would create a $600 product category cap.

Lastly, labor costs for building envelopes were not eligible expenses for the expired 25C credit. This section would make labor costs for building envelopes eligible expenses for the credit.

- *Windows:* Previously, windows that met ENERGY STAR 6.0 standards qualified for the 25C credit. Further, the credit for windows was capped at $200. This section would cap the 25C credit at $200 for windows that meet ENERGY STAR standards and cap the credit at $600 for windows that meet the ENERGY STAR Most Efficient standard.

- *Doors*: Previously, doors that met ENERGY STAR 6.0 standards to qualified for the 25C credit. This section would cap the 25C credit at $500 for doors that meet ENERGY STAR standards, with a limit of $250 per door.

- *Roof products:* Previously, roof products that met ENERGY STAR standards qualified for the 25C credit. However, the EPA is ending the ENERGY STAR roof category. This section would eliminate the roof-specific provisions in § 25C, making roof products subject to the general building envelope rules above.

2. Qualified energy property: Qualified energy property includes energy efficient furnaces and boilers, air conditioners, electric heat pumps, water heaters, and biomass stoves. This section would update product-specific efficiency standards and product category caps for qualified energy property. Where applicable, this section would require equipment to be installed according to the Air Conditioning Contractors of America's Quality Installation standards.

- *Furnaces and boilers (natural gas, propane, or oil):* Previously, to qualify for the 25C credit, furnaces and boilers were required to have an annual fuel utilization efficiency rate of 95 or higher. Further, the 25C credit for furnaces and boilers was capped at $150. Also, advanced main air circulating fans that use no more than 2 percent of a furnace's total energy qualified for a $50 credit. This section would require furnaces to have an annual fuel utilization efficiency rate of 97 or higher, with the standard for boilers remaining unchanged at an annual fuel utilization efficiency rate of 95 or higher. The section would also increase the credit cap to $300 for furnaces, with an additional $300 credit available for converting from an existing non-condensing furnace to a condensing furnace. The $50 credit for circulating fans used with furnaces would be repealed. The credit cap for boilers would be increased to $600.

- *Air conditioners and electric heat pumps:* Previously, to qualify for the 25C credit, air conditioners and electric heat pumps were required to meet the highest efficiency tier established by the Consortium for Energy Efficiency in effect in January 2009. Further, along with other "energy-efficient building property," the 25C credit for air conditioners and electric heat pumps was capped at $300. This section would require air conditioners and electric heat pumps to meet the highest efficiency tier established by the Consortium for Energy Efficiency on the date of enactment of the legislation. The section would also

increase the credit cap for "energy-efficient building property," including air conditioners and electric heat pumps, to $600.

- *Water heaters (natural gas, propane, oil, and electric heat pump)*: Previously, to qualify for the 25C credit, natural gas, propone, and oil water heaters were required to yield an energy factor of at least 0.82 or have a thermal efficiency rating of at least 90 percent. To qualify for the credit, electric heat pump water heaters were required to yield an energy factor of at least 2.0. Further, along with other "energy-efficient building property," the 25C credit for water heaters was capped at $300. This section would require medium-draw natural gas, propane, and oil water heaters to yield a uniform energy factor of at least 0.78. High-draw natural gas, propane, and oil water heaters would be required to yield at uniform energy factor of at least 0.80. Tankless medium-draw natural gas, propane, and oil water heaters would be required to yield a uniform energy factor of at least 0.87. Tankless high-draw natural gas, propane, and oil water heaters would be required to yield a uniform energy factor of at least 0.90. Electric heat pump water heaters would be required to yield a uniform energy factor of at least 3.0. Further, this section would increase the credit cap for natural gas, propane, and oil water heaters to $400 and the credit cap for electric heat pump water heaters to $600.

- *Biomass stoves:* Currently, to qualify for the 25C credit, biomass stoves were required to have a thermal efficiency rating of at least 75 percent. Further, along with other "energy-efficient building property," the 25C credit for biomass stoves was capped at $300. This section would tighten energy efficiency standards for biomass stoves by requiring the efficiency to be determined in reference to the EPA's "List of EPA Certified Wood Stoves," "List of EPA Certified Hydronic Heaters," or "List of EPA Certified Forced-Air Furnaces." Biomass stoves, through 2020, would be required to have a thermal efficiency rating of at least 73 percent against these tighter standards. After 2020, biomass stoves would be required to have a thermal efficiency rating of at least 75 percent against these tighter standards. Further, this section would increase the credit cap for biomass stoves to $400.