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April 10, 2015

The Honorable Orrin Hatch
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable John Thune
Co-Chair Business Income Tax
511 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ben Cardin
Co-Chair Business Income Tax
509 Hart Senate Office Building
Washington, DC 20510

The Honorable Dean Heller
Co-Chair Community Development and Infrastructure
324 Hart Senate Office Building
Washington, DC 20510

The Honorable Michael Bennet
Co-Chair Community Development and Infrastructure
269 Russell Senate Office Building
Washington, DC 20510

RE: Comments to the Business Income Tax Working Group and the Community Development and Infrastructure Working Group

Dear Chairman Hatch, Ranking Member Wyden, and Senators Thune, Cardin, Heller, and Bennet:

On behalf of AECOM, I would like to strongly encourage the permanent extension and expansion of the Section 179D tax deduction for energy efficient commercial buildings. We appreciate the opportunity the Senate Finance Committee has provided, through its tax reform working groups, to stakeholders like AECOM to offer recommendations of needed reforms to the tax code.

AECOM supports extending the Section 179D deduction past its current expiration date of December 31, 2014. The 179D federal tax deduction has been a valuable tool that allows a private commercial or multi-family sector building owner to receive up to a \$1.80 per square foot deduction for an energy efficiency upgrade. The current deduction also allows government buildings at the federal, state and local level to allocate this tax incentive to the designer of the efficiency project, thereby creating additional economic value for the government building owner in the form of additional efficiency improvements.

Significant investment is required to make a property more energy efficient. Prior to enactment of Section 179D, the upfront costs associated with retrofitting existing buildings and the relatively small near-term economic payback of the efficiency investments created a barrier to the market for energy efficiency services. Section 179D simply accelerates to the year placed in service the depreciation deduction for the cost of the energy efficiency asset up to the amount of the 179D deduction. Without Section 179D, the depreciation schedule for some energy efficiency property could be as much as 39 years. It is important to note that Section 179D is not a tax credit and is only a deduction that reduces a building owner's or design firm's taxable income, and can be claimed only after an independent third-party verifies that the energy efficiency retrofit has met stringent statutory and Internal Revenue Service standards and is creating measurable energy savings.



An extension is sound public policy as the Section 179D deduction provides a technology neutral incentive that has already demonstrated success in meeting a number of economic and energy security challenges facing our nation. Utilizing a Section 179D deduction for an energy efficiency project creates additional economic impact, can accelerate the use of energy efficient building design, and the retrofit of inefficient aging buildings. This type of incentive increases the overall magnitude of energy savings generated by projects throughout the country; these projects significantly reduce energy-related costs for commercial building owners and government properties. In addition, the incentives support the modernization of an aging building stock and enhance the overall performance of our nation's building infrastructure. Moreover, each of the incremental energy efficiency projects directly attributable to the availability of Section 179D creates and sustains more jobs in the construction, engineering, manufacturing and design sectors.

Along with extending the Section 179D deduction, AECOM recommends the Committee consider a number of reforms to the provision that would boost efficiency investments in commercial and government-owned buildings and spur greater job creation. Making some modest modifications to the Section 179D deduction, such as increasing the scope of eligible projects and providing greater flexibility in its qualifying parameters, could advance the national pursuit of energy efficiency and provide additional incentives to these critical energy investments.

Legislation addressing the aforementioned improvements to Section 179D was introduced in the Senate during the 113th Congress (S. 2189). Taking these steps to enhance the Section 179D deduction would improve the usefulness of the deduction and lead to more than 77,000 new jobs created in the construction, engineering, manufacturing and energy services sectors alone, according to a 2011 analysis performed by the University of Massachusetts, Amherst. Additionally, the EXPIRE Act (S. 2260), as passed by the Senate Finance Committee in April 2014, included a two-year extension of Section 179D.

In closing, AECOM supports the extension of the Section 179D deduction for energy efficient commercial buildings. AECOM would be happy to serve as a resource for the Committee as it continues its important work. I applaud the Committee's effort with regard to tax reform and appreciate the opportunity to offer AECOM's recommendations.

Respectfully,

Brian O'Kane
Executive Vice President

INTRODUCTION TO AECOM

With nearly 100,000 employees — including architects, engineers, designers, planners, scientists and management and construction services professionals — serving clients in more than 150 countries around the world following the acquisition of URS, AECOM is a premier, fully integrated infrastructure and support services firm. AECOM is ranked as the #1 engineering design firm by revenue in *Engineering News-Record* magazine's annual industry rankings. The company is a leader in all of the key markets that it serves, including transportation, facilities, environmental, energy, oil and gas, water, high-rise buildings and government. AECOM provides a blend of global reach, local knowledge, innovation and technical excellence in delivering solutions that create, enhance and sustain the world's built, natural and social environments. A *Fortune 500* company, AECOM companies, including URS Corporation and Hunt Construction Group, had revenue of approximately \$19.5 billion during the 12 months ended Sept. 30, 2014.