Energy Efficiency Tax Credits: A State Initiative

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OKLAHOMA

Oklahoma Senate Bill #610

- This bill, like all bills, went through the process of multiple drafts.
- Toward the end of the draft process, a large production homebuilder hired a lobbyist to collaborate with the Oklahoma State Legislature to work out some important details.

Oklahoma Senate Bill #610

- The bill was signed into law on June 8th, 2005
- The credit is available after December 31, 2005.
- The credit is available to the builder/contractor of a new home of **2,000 square feet or less.**

Oklahoma Senate Bill #610

- Though the bill excludes homes above 2,000 sq. ft. - it encourages contractors to build smaller and smarter. It also discourages the negative trend of unnecessarily oversized houses.
- An added benefit is the increased availability of energy-efficient homes to lower income families. HOWEVER…

Oklahoma Senate Bill #610

- In the case of multifamily dwellings and attached structures, when considering the square footage maximum, *the total square footage of a single building will be considered regardless of how many family units are able to occupy the building.*
- In effect, the credit excludes duplexes and all other multi-family dwelling units exceeding 2,000 total square feet.

OK SB#610: The amount of the credit is based upon the following:

- For any eligible energy efficient residential property constructed and certified as **between 20% and 39%** above the International Energy Conservation Code (IECC) 2003 *and any supplement in effect at the time of completion*, the credit shall be equal to the eligible expenditures, not to exceed **$2,000** for the taxpayer who is the contractor.

OK SB#610: The amount of the credit is based upon the following:

- For any eligible energy efficient residential property constructed and certified as **40% or more above** the International Energy Conservation Code (IECC) 2003 *and any supplement in effect at the time of completion*, the credit shall be equal to the eligible expenditures, not to exceed **$4,000** for the taxpayer who is the contractor.

OK SB#610

- 2004 IECC includes **Mandatory Requirements – Section 403.2.1 & 404.2. Insulation**: Supply and return ducts shall be insulated to a **minimum of R-8**. Ducts in floor trusses shall be insulated to a minimum of R-6.
- Exception: Ducts in conditioned space.

OK SB#610

- The credit is dollar for dollar based on the cost of certain eligible expenditures.
- The eligible property must be substantially complete *after* December 31, 2005.

OK SB#610

- GWS, upon reading the final draft of the bill, noticed that several key items were still unclear. It was obvious that the bill was written by legislators instead of homebuilders.

OK SB#610

- At that point, many of the decisions had already been made, but GWS was able to work with the Oklahoma HBA and the Oklahoma Tax Commission to turn the bill into one with concrete, attainable goals instead of unclear, abstract standards.

OK SB#610: Definitions

- **Contractor:** the taxpayer who actually constructed the residential property or manufactured home. In cases where more than one person qualifies, it is the primary contractor who is eligible.

OK SB#610: Definitions

- **Eligible Expenditure:** includes the cost of energy-efficient heating and cooling systems, insulation material specifically designed to reduce heat gain or loss, exterior windows, exterior doors or metal roofs with certain coatings which meet ENERGY STAR requirements.

OK SB#610: Definitions

- **Substantially Complete:** the property must have a certificate of occupancy issued if located in a municipality. If in a non-metropolitan area, the property will be substantially complete after passing the appropriate inspections required under the applicable County Building Codes permitted under 19 O.S. 863.44

OK SB#610: Determining Eligibility 40%+

- A new home, in order to qualify, must be certified by an accredited Residential Energy Services Network Provider using the Home Energy Rating System to have:

  1. A level of annual heating/cooling energy consumption which is at least 40% below the annual level of a comparable residential property constructed in accordance with the standards of Chapter 4 of the 2003 IECC, as such code is in effect on the effective date of this act,

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OK SB#610: Determining Eligibility 40%+

2. Heating and cooling equipment efficiencies which correspond to the minimum allowed under the regulations established by the Dept. of Energy pursuant to the National Appliance Energy Conservation Act of 1987 and in effect at the time of construction of the property, and

3. Building envelope component improvements which account for at least **1/5** of the reduced annual heating/cooling energy consumption levels.

OK SB#610: Determining Eligibility 20% -39%

- A new home, in order to qualify, must be certified by an accredited Residential Energy Services Network Provider using the Home Energy Rating System to have:

  1. A level of annual heating/cooling energy consumption which between 20% -39% below the annual level of a comparable residential property constructed in accordance with the standards of Chapter 4 of the 2003 IECC, as such code is in effect on the effective date of this act,

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OK SB#610: Determining Eligibility 20% -39%

2. Heating and cooling equipment efficiencies which correspond to the minimum allowed under the regulations established by the Dept. of Energy pursuant to the National Appliance Energy Conservation Act of 1987 and in effect at the time of construction of the property, and

3. Building envelope component improvements which account for at least **1/3** of the reduced annual heating/cooling energy consumption levels.

OK SB#610: Definitions

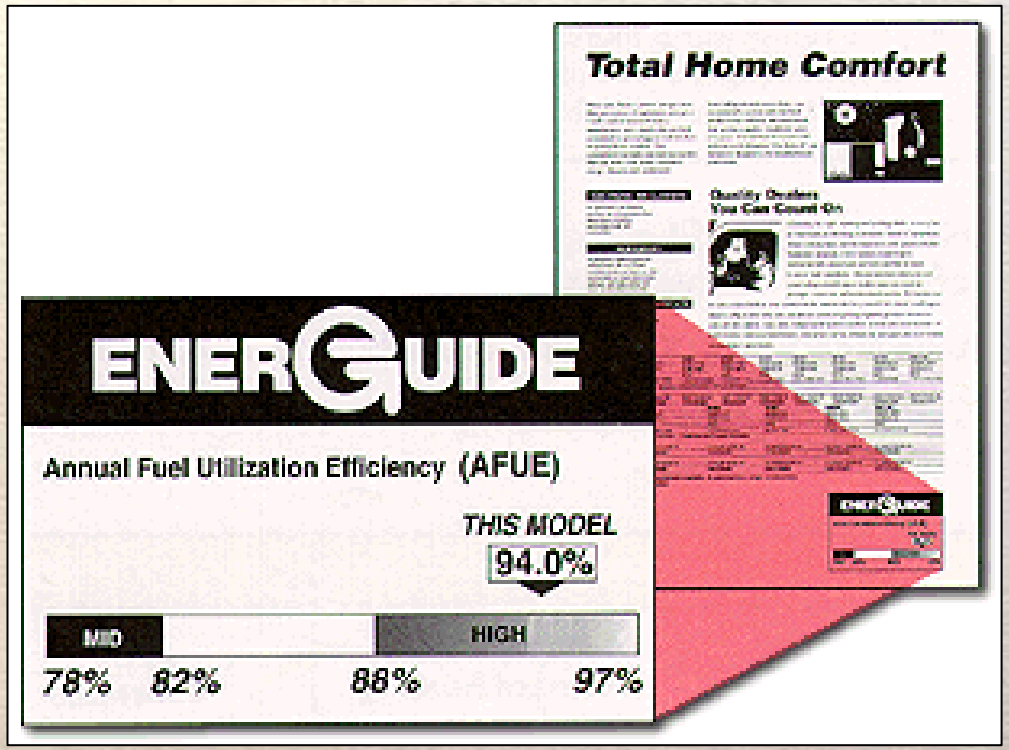
- **Home Energy Ratings:** a confirmed rating involving an on-site inspection of a home by a residential energy efficiency professional trained and certified by a RESNET accredited home energy rater.

OK SB#610: Definitions

- **Residential Energy Services Network Provider:** an accredited home energy inspector certified by RESNET.

OK SB#610: Eligible Expenditures

- Energy-efficient heating & cooling systems.



OK SB#610: Eligible Expenditures

- Insulation material or system which is specifically and primarily designed to reduce the heat gain or loss of a residential property.

OK SB#610: Eligible Expenditures

- Exterior windows, including skylights

OK SB#610: Eligible Expenditures

- Exterior doors

OK SB#610: Eligible Expenditures

- Any metal roof with an appropriate pigmented coating, specifically and primarily designed to reduce heat gain and which meet ENERGY STAR requirements.

For one of our larger production builders, we determined the target and the 'as-designed' scores for their floor plans. This has been invaluable to them.

LINE	PLAN NAME	FLOOR AREA (sq. ft.)	SURFACE AREA (sq. ft.)	Classic, Camden, Medallion, R-30 Ceiling, Tech Shield, 90% AFUE Furnace, 14 SEER, R-8 Ducts, Signature R-30 Ceiling, Tech Shield, 92% AFUE Furnace, 14 SEER, R-8 Ducts, Infinity, R-38 Ceiling, Tech Shield, 92% AFUE Furnace, 14 SEER, R-8 Ducts,						Manual J 8 Calculations		
				New INDEX REM V12	IECC 2004	Meets Fed Tax Credit yes/no	Target	Design	Delta	6/2/05 HEATING BTUH REQ'D	6/2/05 COOLING BTUH REQ'D	6/2/05 CFM Minimum REQ'D
	Fleming v2	1488	4396	69	31.7%	Y	30.5	27.7	2.8			
	Gardner v2	1504	4404	71	30.6%	Y	29.4	26.7	2.7			
	Granville v2	1507	4221	71	31.0%	Y	27.7	24.3	3.4			
MEDALLION	Aster	953	2929	73	28.9%	Y	20.9	19.4	1.5			
	Bellis	1057	3303	73	29.4%	Y	23.4	21.5	1.9			
	Blue Bonnet	1098	3380	72	30.8%	Y	24.2	21.4	2.8			
	Calla Lily	1191	3583	72	30.3%	Y	25.1	22.8	2.3			
	Carnation	1164	3563	71	31.6%	Y	24.9	21.5	3.4			
	Daffodil	1265	3946	69	32.5%	Y	27.7	24.0	3.7			
	Emilia	1357	4028	71	31.1%	Y	27.9	25.3	2.6			
	Foxtail	1439	4338	70	31.6%	Y	30.0	27.4	2.6			
	Freesia	1458	4130	71	31.0%	Y	27.3	23.7	3.6			
	Fuchsia	1452	4299	71	30.8%	Y	30.8	28.6	2.2			
CAMDEN	Davis	1281	4232	70	30.9%	Y	29.8	28.1	1.7			
	Dickinson	1286	3850	69	32.7%	Y	27.8	24.0	3.8			
	Edwards	1360	4088	72	30.3%	Y	28.0	26.1	1.9			
	Emerson	1359	4093	71	31.4%	Y	28.0	25.3	2.7			
	Finley	1453	4155	73	29.4%	Y	28.7	27.6	1.1			
	Frost	1451	4396	73	29.4%	Y	28.7	27.6	1.1			
	Garrison	1594	4740	70	31.6%	Y	33.0	30.9	2.1			
	Gilbran	1565	4451	69	33.2%	Y	30.2	25.7	4.5			
	Hamilton	1678	4910	70	31.9%	Y	32.5	29.1	3.4			
	Hughes	1677	4836	70	31.9%	Y	32.2	28.6	3.6			
	Ingraham	1737	5133	70	31.6%	Y	34.5	32.4	2.1			
	Kaufman	1996	5861	69	32.5%	Y	39.1	36.0	3.1			
	Kingsley	1964	5852	67	33.1%	Y	39.8	36.7	3.1			
SIGNATURE (EFL)	Daley	1277	3996	72	30.2%	Y	27.3	25.3	2.0			
	Everett	1396	4626	72	30.7%	Y	32.4	31.2	1.2			
	Fletcher	1443	4750	71	29.6%	Y	33.2	33.1	0.1			
	Grady	1553	5068	69	31.2%	Y	36.4	35.4	1.0			
	Grayson	1542	5045	70	31.6%	Y	36.2	34.7	1.5			
	Harper	1644	5103	71	31.2%	Y	34.7	33.0	1.7			
	Hendrix	1654	5155	70	31.8%	Y	35.6	33.6	2.0			
	Idabel	1760	5262	67	33.6%	Y	37.3	33.4	3.9			
	Ivy	1770	5490	69	31.7%	Y	36.6	33.9	2.7			
	Jackson	1856	5540	71	31.8%	Y	37.3	35.2	2.1			
	Jennings	1888	6079	69	32.5%	Y	42.4	40.7	1.7			
	Kay	1932	6013	69	32.5%	Y	42.0	40.0	2.0			

Oklahoma Tax Credit Process

- Decide to build a house 2,000 sq.ft. or less – measured from the outside of the brick ledge or veneer.
- Select a HERS Rater to rate the house before the building process, during the planning stage. A list of Raters may be found at www.natresnet.org
- Have the Rater model the house plan using RESNET approved software to determine the IECC 2004 energy savings procedure.

Oklahoma Tax Credit Process

- Work with your Rater to select building energy related components that will enable your house to score 20% or greater in energy savings on the IECC 2004 (or latest version) Annual Energy Cost Compliance Report. Keep this report for tax purposes.
- Work with your Rater to determine what building practices are necessary to pass the Raters Pre-Drywall Inspection (see Thermal Bypass Checklist). Have your Rater prepare the TBC on your house at the appropriate time.

Oklahoma Tax Credit Process

- When the house is complete and prior to occupancy, have the Rater perform a Final Inspection that includes a Blower Door Test and a Duct Blaster test.

Oklahoma Tax Credit Process

- Keep a copy of the Rater Test Reports for tax purposes.
- Claim this house on your tax forms for the $2,000 credit.
- If you are trying to achieve 40% or greater, complete the same steps with the appropriate modifications.

OK SB#610

- Carryover Provisions: Any credit allowed pursuant to the Section, to the extent not used, may be carried over in order to each of the (4) years following the year of qualification.

OK SB#610: Implications for Other States

- This bill is one of the first of its kind, and while not perfect, it serves as an example and a model for encouraging other states to develop their own tax incentives.

Thank You

- For more information, please visit:
  - www.ase.org (State Updates)
  - www.eere.energy.gov/states/state_news_detail.cfm/news_id=9228/state=OK
  - www.natresnet.org
  - www.gwssi.com

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