



Kate Harrison
Councilmember District 4

CONSENT CALENDAR
October 12, 2021

To: Honorable Mayor and Members of the City Council
From: Councilmember Harrison
Subject: Adopt a resolution in support of a Direct Pay Provision for the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

RECOMMENDATION

Adopt a resolution in support of a Direct Pay Provision for the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit.

Send copies of the resolution to Senators Feinstein and Padilla, Congresswoman Lee, Chairman Wyden, Chairman Neal, Ranking Member Crapo, and Ranking Member Brady.

CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

The current federal incentive structure for deploying residential renewable energy, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans. For example, individuals who decide to install solar panels on their buildings must have sufficient cash or credit available to cover the full cost of the parts and installation upfront. Under current tax law, the federal government only reimburses qualifying installations when the individual completes their taxes. This situation disproportionately benefits wealthy individuals and corporations.

Currently, the Senate and the House of Representatives are considering modifications to existing energy related tax provisions. It is therefore prudent to request that that any legislative package include a “direct pay” or any similar cash payment program for residential energy properties as defined in 26 U.S.C. § 25D, providing federal assistance upfront as opposed to at tax time.

BACKGROUND

It is estimated that 42% percent of all U.S energy-related greenhouse emissions come from household decisions.¹ Incentivizing American households to reduce residential emissions and lower their energy bills could have a significant impact on the nation’s overall greenhouse emissions inventory.

¹ Rewiring America, About Us, July 15, 2021, <https://www.rewiringamerica.org/our-mission>.

A direct pay Section 25D subsidy would facilitate increased accessibility to clean energy and would especially benefit the nation's low-income households who spend a disproportionate amount of their incomes to energy. These lower income households have less ability to pay the upfront costs of clean energy investments and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases.

Some have expressed opposition to amending Section 25D due to unfounded concerns over fraud and in the difficulty of overseeing and auditing this expanded program. Yet research shows that lower-income households have the lowest levels of tax evasion of any income group.² In addition, safeguards, as well as procedural solutions, that ensure section 25D direct pay – or a similar program – can be implemented so as to strengthen eligibility verification and eliminate the potential for fraud or misuse.

By adopting this resolution in support and sending letters to federal elected officials, Berkeley would be joining more than 300 environmental justice advocates, environmental groups and renewable energy companies who have already lobbied the Senate Finance and House Ways & Means Committees to support a direct pay option for the residential energy efficiency property tax credit.³

FISCAL IMPACTS OF RECOMMENDATION

Staff time will be necessary for the Clerk to send the letter to the specified elected officials.

ENVIRONMENTAL SUSTAINABILITY

Adopting direct pay for residential energy efficient property tax credits could help include lower income communities in the fight against climate change and carbon emissions.

CONTACT PERSON

Kate Harrison, Berkeley City Councilmember, (510) 981-7140

ATTACHMENTS

1. Resolution
2. Letters

² Brookings, How Big is the Problem of Tax Evasion, April 9, 2019, <https://www.brookings.edu/blog/up-front/2019/04/09/howbig-is-the-problem-of-tax-evasion/>.

³ Environmental Justice and Renewable Energy Supporters Call on Congress to Make the Residential Tax Incentive Accessible for Lower-Income Households, PR Web, September 20, 2021, https://www.prweb.com/releases/environmental_justice_and_renewable_energy_supporters_call_on_congress_to_make_the_residential_tax_incentive_accessible_for_lower_income_households/prweb18121265.htm

RESOLUTION NO. ##,###-N.S.

RESOLUTION IN SUPPORT OF DIRECT PAY PROVISION FOR 26 U.S.C. § 25D
RESIDENTIAL ENERGY EFFICIENT PROPERTY TAX CREDIT

Whereas, the credit structure of the federal incentive for the deployment of renewable energy for residential customers, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans; and

Whereas, the Senate and the House of Representatives are currently considering modifications to existing energy related tax provisions, and a coalition comprised of more than 300 environmental justice advocates, environmental groups and renewable energy companies have requested that any legislative package this session include a “direct pay” or any similar cash payment program for residential energy properties as defined in 26 U.S.C. § 25D; and

Whereas, including this amendment in legislation would reduce inequalities between low-income and higher-income Americans by ensuring quick access to ITC benefits and would enhance accessibility to clean energy to households who spend a disproportionate amount of their incomes on energy; and

Whereas, this modification of § 25D could further incentivize American households to reduce residential emissions since forty-two percent of all U.S. energy-related greenhouse emissions come from household decisions.

NOW, THEREFORE BE IT RESOLVED, the City Council of Berkeley expresses its support for including a direct pay provision in the § 25D Residential Energy Efficient Property Tax Credit.

BE IT FURTHER RESOLVED that copies of this Resolution will be sent to Senator Feinstein, Senator Padilla, Congresswoman Barbara Lee, Chairman Wyden, Chairman Neal, Ranking Member Crapo, and Ranking Member Brady.

The Honorable Senator Padilla
United States Senate
112 Hart Senate Office Building
Washington, DC 20510

Re: Support for Direct Pay Provision for 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

Dear Senator Padilla:

The Berkeley City Council would like to convey its urgent support for amending the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit to include a direct pay provision or any similar cash payment program for residential energy properties.

The credit structure of the current federal incentive for the deployment of renewable energy for residential, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans who may lack sufficient cash or credit to cover the full cost of the parts and installation upfront and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases. Berkeley supports expanding ITC access to low-income households, who already spend a disproportionate amount of their income on energy, with a direct pay provision.

Forty-two percent of all U.S energy-related greenhouse emissions come from household decisions. Equitably incentivizing American households to reduce residential emissions could make a significant difference on the nation's overall greenhouse emissions inventory.

For these reasons, we support and urge your support such an amendment in any legislation this session.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Senator Feinstein
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

Re: Support for Direct Pay for 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

Dear Senator Feinstein:

The Berkeley City Council would like to convey its urgent support for amending the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit to include a direct pay provision or any similar cash payment program for residential energy properties.

The credit structure of the current federal incentive for the deployment of renewable energy for residential, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans who may lack sufficient cash or credit to cover the full cost of the parts and installation upfront and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases. Berkeley supports expanding ITC access to low-income households, who already spend a disproportionate amount of their income on energy, with a direct pay provision.

Forty-two percent of all U.S energy-related greenhouse emissions come from household decisions. Equitably incentivizing American households to reduce residential emissions could make a significant difference on the nation's overall greenhouse emissions inventory.

For these reasons, we support and urge your support such an amendment in any legislation this session.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Congresswoman Lee
United States House of Representatives
2470 Rayburn House Office Building
Washington, D.C. 20515

Re: Support for Direct Pay for 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

Dear Congresswoman Lee:

The Berkeley City Council would like to convey its urgent support for amending the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit to include a direct pay provision or any similar cash payment program for residential energy properties.

The credit structure of the current federal incentive for the deployment of renewable energy for residential, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans who may lack sufficient cash or credit to cover the full cost of the parts and installation upfront and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases. Berkeley supports expanding ITC access to low-income households, who already spend a disproportionate amount of their income on energy, with a direct pay provision.

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For these reasons, we support and urge your support such an amendment in any legislation this session.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

Chairman Ron Wyden
U.S. Senate U.S. Senate
Committee on Finance Committee on Finance
219 Dirksen Senate Office Building 219 Dirksen Senate Office Building
Washington, D.C., 20510

Re: Support for Direct Pay for 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

Dear Senator Wyden:

The Berkeley City Council would like to convey its urgent support for amending the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit to include a direct pay provision or any similar cash payment program for residential energy properties.

The credit structure of the current federal incentive for the deployment of renewable energy for residential, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans who may lack sufficient cash or credit to cover the full cost of the parts and installation upfront and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases. Berkeley supports expanding ITC access to low-income households, who already spend a disproportionate amount of their income on energy, with a direct pay provision.

Forty-two percent of all U.S energy-related greenhouse emissions come from household decisions. Equitably incentivizing American households to reduce residential emissions could make a significant difference on the nation's overall greenhouse emissions inventory.

For these reasons, we support and urge your support such an amendment in any legislation this session.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

Chairman Richard Neil
The U.S. House of Representatives
Ways & Means Committee
1102 Longworth HOB
Washington, D.C., 20515

Re: Support for Direct Pay for 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

Dear Congressman Neil:

The Berkeley City Council would like to convey its urgent support for amending the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit to include a direct pay provision or any similar cash payment program for residential energy properties.

The credit structure of the current federal incentive for the deployment of renewable energy for residential, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans who may lack sufficient cash or credit to cover the full cost of the parts and installation upfront and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases. Berkeley supports expanding ITC access to low-income households, who already spend a disproportionate amount of their income on energy, with a direct pay provision.

Forty-two percent of all U.S energy-related greenhouse emissions come from household decisions. Equitably incentivizing American households to reduce residential emissions could make a significant difference on the nation's overall greenhouse emissions inventory.

For these reasons, we support and urge your support such an amendment in any legislation this session.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

Ranking Member Mike Crapo
U.S. Senate
Committee on Finance Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C., 20510

Re: Support for Direct Pay for 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

Dear Senator Crapo:

The Berkeley City Council would like to convey its urgent support for amending the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit to include a direct pay provision or any similar cash payment program for residential energy properties.

The credit structure of the current federal incentive for the deployment of renewable energy for residential, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans who may lack sufficient cash or credit to cover the full cost of the parts and installation upfront and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases. Berkeley supports expanding ITC access to low-income households, who already spend a disproportionate amount of their income on energy, with a direct pay provision.

Forty-two percent of all U.S energy-related greenhouse emissions come from household decisions. Equitably incentivizing American households to reduce residential emissions could make a significant difference on the nation's overall greenhouse emissions inventory.

For these reasons, we support and urge your support such an amendment in any legislation this session.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

Ranking Member Kevin Brady
The U.S. House of Representatives
Ways & Means Committee Ways & Means Committee
1102 Longworth HOB 1102 Longworth HOB
Washington, D.C., 20515

Re: Support for Direct Pay for 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit

Dear Congressman Brady:

The Berkeley City Council would like to convey its urgent support for amending the 26 U.S.C. § 25D Residential Energy Efficient Property Tax Credit to include a direct pay provision or any similar cash payment program for residential energy properties.

The credit structure of the current federal incentive for the deployment of renewable energy for residential, the Investment Tax Credit (ITC), exacerbates inequalities between low-income and high-income Americans who may lack sufficient cash or credit to cover the full cost of the parts and installation upfront and often wait months or years, with carry-forward, for their tax refunds. Lower income households are also less likely to owe sufficient federal taxes to receive all the benefits of the ITC for residential clean energy purchases. Berkeley supports expanding ITC access to low-income households, who already spend a disproportionate amount of their income on energy, with a direct pay provision.

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For these reasons, we support and urge your support such an amendment in any legislation this session.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council