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117TH CONGRESS
1ST SESSION

H. R. 2346

To amend the Internal Revenue Code of 1986 to allow 10-year straight line depreciation for energy efficient qualified improvement property, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 2021

Mr. SCHNEIDER (for himself and Mr. RICE of South Carolina) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to allow 10-year straight line depreciation for energy efficient qualified improvement property, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Energy Efficient Qualified Improvement Property Act of 2021'' or the ''E–QUIP Act''.

SEC. 2. DEPRECIATION OF ENERGY EFFICIENT QUALIFIED IMPROVEMENT PROPERTY.

(a) 10-YEAR PROPERTY.—Section 168(e)(3)(D) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following new clause:

''(vi) energy efficient qualified improvement property.''.

(b) STRAIGHT LINE METHOD.—Section 168(b)(3) of such Code is amended by adding at the end the following new subparagraph:

''(H) Energy efficient qualified improvement property described in subsection (e)(7).''.

(c) ENERGY EFFICIENT QUALIFIED IMPROVEMENT PROPERTY DEFINED.—Section 168(e) of such Code is amended by adding at the end the following new paragraph:

''(7) ENERGY EFFICIENT QUALIFIED IMPROVEMENT PROPERTY.—

''(A) IN GENERAL.—The term 'energy efficient qualified improvement property' means any improvement—

''(i) to a building which is nonresidential real property, or multifamily residential rental property, first placed in service

more than 10 years before the date of the enactment of this subparagraph,

"(ii) which is installed as part of—

"(I) the lighting system,

"(II) the heating, cooling, ventilation, or hot water systems, or

"(III) the building envelope,

"(iii) which meets the performance requirements of subparagraph (B),

"(iv) which, in the case of an improvement described in subclause (I) or (II) of clause (ii)—

"(I) is audited, commissioned, or managed by a professional with a credential that is recognized by the Department of Energy through its Better Buildings Workforce Guidelines, or such other credential programs identified by the Secretary of Energy (following an opportunity for, and consideration of, public input), and

"(II) is subject to an ongoing operations and maintenance plan under such certification during the applicable recovery period,

''(v) which, in the case of an improvement described in clause (ii)(III), the design and installation has been completed, observed, or approved by an individual qualified by industry-recognized professional credential programs in building envelope quality assurance, as identified by the Secretary of Energy (following an opportunity for, and consideration of, public input),

''(vi) which is placed in service before January 1, 2026, and

''(vii) with respect to which the taxpayer elects the application of this subparagraph.

''(B) PERFORMANCE REQUIREMENTS.—An improvement meets the performance requirements of this subparagraph if—

''(i) in the case of lighting, it meets the lighting power allowances, densities, and control specifications in the prescriptive option of the International Green Construction Code (2018),

''(ii) in the case of a unitary air-cooled air conditioner, it meets or exceeds

Consortium for Energy Efficiency Tier 2, as in effect on January 1, 2019,

''(iii) in the case of a unitary water-cooled and evaporatively cooled air conditioner, it meets or exceeds Consortium for Energy Efficiency Tier 1, as in effect on January 1, 2019,

''(iv) in the case of a unitary heat pump—

''(I) with a capacity of less than 65,000 Btu per hour, it meets or exceeds Consortium for Energy Efficiency Tier 2, as in effect on January 1, 2019, or

''(II) with a capacity of 65,000 Btu per hour or greater, it meets or exceeds Consortium of Energy Efficiency Tier 1, as in effect on January 1, 2019,

''(v) in the case of a variable refrigerant flow multisplit air conditioner or variable refrigerant flow multisplit heat pump—

''(I) with a capacity of less than 65,000 Btu per hour, it meets or ex-

ceeds Consortium for Energy Efficiency Tier 2, as in effect on January 12, 2016, or

"(II) with a capacity of 65,000 Btu per hour or greater, it meets or exceeds Consortium of Energy Efficiency Tier 1, as in effect on January 12, 2016,

"(vi) in the case of a boiler, it meets or exceeds Consortium for Energy Efficiency Tier 1, as in effect on September 1, 2015,

"(vii) in the case of a hot water heater—

"(I) that is gas-fired, it meets or exceeds Consortium of Energy Efficiency Tier 1, as in effect on June 5, 2012, or

"(II) that runs on electricity, it has a Coefficient of Performance of 3 or more,

"(viii) in the case of a water-cooled centrifugal chiller package, it meets the prescriptive option of the International Green Construction Code (2018),

"(ix) in the case of insulation for heating and cooling supply and return ducts, it meets the prescriptive option for duct insulation of the International Green Construction Code (2018) and its applicable Normative Appendix,

"(x) in the case of roofing, walls, and associated insulation, it meets the prescriptive option for building envelope opaque elements of the International Green Construction Code (2018) and its applicable Normative Appendix,

"(xi) in the case of piping insulation, it meets the prescriptive option for piping insulation of ANSI/ASHRAE/IES Standard 90.1–2019,

"(xii) in the case of windows, doors, and skylights, they meet the prescriptive option for building envelope fenestration and skylights of the International Green Construction Code (2018) and its applicable Informative Appendix,

"(xiii) in the case of sensors and controls, it is a device that automatically controls the operation of other qualified equip-

ment without manual operation of a switch, using technology such as motion or occupancy detection, infrared, ultrasonic, microwave, audio-based, image-processing, temperature, humidity, time-scheduling, bi-level, or demand-response, and

''(xiv) in the case of a variable speed or frequency drive, it is a drive—

''(I) added to adjust the speed and torque of an operational motor that powers pump, fan, exhaust, ventilation, air-handling, or compressor equipment, and

''(II) controlled automatically by a building automation system, process control system, or local controller driven by differential pressure flow, temperature or another variable signal.

''(C) UPDATING OF PERFORMANCE STANDARDS.—The most recent version of each performance standard described in subparagraph (B) shall be affirmed by the Secretary (after consultation with the Secretary of Energy) and shall apply with respect to any property for

purposes of this paragraph not later than the date that is 2 years before the date that the improvement to such property begins.''.

(d) ALTERNATIVE DEPRECIATION SYSTEM.—The table in section 168(g)(3)(B) of such Code is amended by inserting after the item relating to subparagraph (D)(v) the following new item:

''(D)(vi)	10''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2020.

SEC. 3. REPORT RELATING TO DEPRECIATION OF ENERGY EFFICIENT QUALIFIED IMPROVEMENT PROPERTY.

(a) IN GENERAL.—Not later than 30 days after the date that is 3 years after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Secretary of Energy, shall submit to Congress a report on energy efficient qualified improvement property (as defined in section 168(e)(7) of the Internal Revenue Code of 1986).

(b) CONTENTS.—Such report shall include the following:

(1) The number of times over such 3-year period energy efficient qualified improvement property

was placed in service and treated as 10-year property under section 168(e)(3)(D) of such Code.

(2) A summary of the types of such energy efficient qualified improvement property placed in service during such period.

(3) An estimate of the energy use savings, and reduction in greenhouse gas emissions, attributable to such property.

(4) An estimate of the number of jobs created which are attributable to the enactment of the Energy Efficient Qualified Improvement Property Act of 2020.

(5) Any recommendations for updated efficiency requirements for energy efficient qualified improvement property or rules for the depreciation thereof.

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