

United States Senate

WASHINGTON, DC 20510

October 1, 2021

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Ron Wyden
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Leader Schumer and Chairman Wyden:

As you continue the critical work of developing clean energy tax credits to help the United States meet the moment of the climate crisis in the upcoming reconciliation package, we urge you to include a direct pay option for the residential renewable energy property tax credit in Section 25D of the Internal Revenue Code of 1986 (25D). This essential tax credit is designed to help residential customers install renewable energy systems such as solar, wind and geothermal, but without a direct pay option, the low- and moderate-income (LMI) households who would benefit most from distributed generation are effectively blocked from accessing this tax credit. We believe that a direct pay option will not only help us meet President Biden's goal of a 50% reduction of greenhouse gas emissions over 2005 levels by 2030, but it will also help address long-standing impacts of climate injustice.

Renewable energy and environmental justice advocates estimate that roughly half of American households – approximately 60 million households – do not owe enough taxes to fully capitalize on the 25D tax credit in a single year under current law. However, because these LMI households spend more of their income on energy bills, they will benefit disproportionately from installing distributed generation like solar on their properties. We have an obligation to ensure that all Americans have equal access to benefit from the renewable energy transition, and securing 25D direct pay is critical to this goal.

Additionally, as the country faces worsening climate-fueled natural disasters that take down the grid, it is critical to expand residential distributed generation so that communities can more quickly recover power for essential needs. Most recently, in the wake of Hurricane Ida, homes powered by renewable energy and battery storage maintained power amid a prolonged power outage. Expanded residential renewables will also decrease the greenhouse gas emissions driving the escalation of wildfires, hurricanes, and floods. Low-income, communities of color, and Indigenous communities face disproportionate climate impacts and must have access to resilience technologies. Failure to ensure that lower-income households can fully access the benefits of the residential tax credit will perpetuate historical inequities that ultimately determine which communities are able to adapt to the climate crisis.

To ensure that direct pay for 25D is utilized effectively and fairly, we urge the establishment of a simple installer-based verification process at the Internal Revenue Service (IRS). In such a system, homeowners would provide basic data and proof to the federal government of their solar or other renewable system installation, while the installer separately submits their own data that the IRS can use to corroborate the homeowner's claim.

Overall, we are confident that adding 25D direct pay will result in more LMI households transitioning to renewable energy in the coming years. In turn, this will lower energy bills for households that need it

most, advance our environmental and climate justice goals, reduce greenhouse gas emissions, and create more good-paying jobs in communities across the country – building upon an estimated 85,000 residential solar installation jobs in 2020. We urge you to include a direct pay option in Senate Finance’s updated reconciliation language and we stand ready to partner with Committee staff to advance this proposal.

Sincerely,



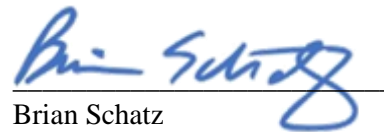
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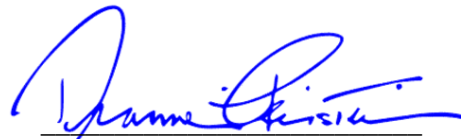
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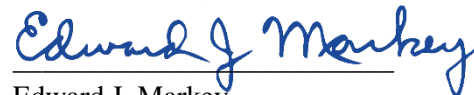
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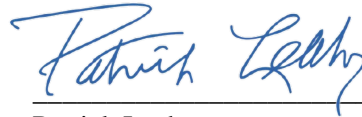
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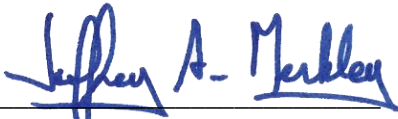
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/s/ Martin Heinrich

Martin Heinrich
United States Senator