

# **Mechanical Insulation Installation Incentive Act of 2011 (H.R. 2866 and S. 1526)**

## **Frequently Asked Questions (FAQs)**

**Will this bill produce jobs quickly?** This is one of the main benefits of mechanical insulation. The scope of work is easily identified, a contract award can be made in 30-45 days, and the work can start immediately. Trained craftsmen are readily available. No research and development or engineering and design processes are required. Mechanical insulation is an excellent example of immediate jobs. The tax incentive bill focuses attention on the opportunity and motivates facility owners to move forward and take advantage of savings in energy, emissions, and costs.

**How many jobs could such a program produce?** More than 89,000 jobs could potentially be created or sustained annually as estimated by the National Insulation Association. These would be skilled craft personnel involved in installing and/or maintaining the insulation and the logistic personnel to deliver materials to the respective project sites. This estimate is conservative, as it does not include supporting crafts and manufacturing or jobs for management, sales, engineering, or administrative personnel that would be needed for the various project sites. Mechanical insulation has the potential to create jobs in all 50 states and every Congressional District within weeks or months, not years.

**When can companies take advantage of the tax incentive?** The benefit of the tax incentive would be received in conjunction with the company's filing of their annual federal tax return.

**How does the tax incentive work?** H.R. 2866/S. 1526 provides facility owners an incentive of up to 30% to increase the use of or maintenance of mechanical insulation by lowering their tax expense in the fiscal year in which the mechanical insulation was put in service or the maintenance was completed. The net result: facility owners are provided a tax incentive to immediately create jobs to stimulate the economy while reducing short- and long-term energy consumption and carbon emissions.

**How was the 30% incentive determined?** Industry examined other energy-efficiency tax incentives in conjunction with completing an extensive analysis to determine what level of incentive would potentially motivate facility owners to install mechanical insulation beyond the current ASHRAE minimum requirements and to increase their maintenance programs for existing insulation systems. It was first determined that only the incremental portion of going beyond the minimum requirements in new construction or retrofit applications should be incentivized. Keeping in mind the administration's focus on reducing energy and emissions by a minimum of 30% by 2020, it was determined that would be an extreme stretch goal for going beyond the current ASHRAE requirements. However, industry should strive to accomplish the 30% reduction, which would in essence double the current minimums. That is practical in some applications but not in others. History has proven stretch goals are more effective over the long term.

A similar methodology was employed for maintenance applications because of the importance of providing a consistent message about the intent of the incentive.

**How long will H.R. 2866/S. 1526 be effective?** The current plan is for five years. That is why we used a five-year implementation period for our calculations. Facility owners will be able to take advantage of the maintenance incentive almost immediately, as will projects in the beginning stages of construction. Facility

owners currently in the project planning mode will be able to incorporate the increased focus on mechanical insulation in their specifications.

**What is the cost to implement H.R. 2866/S. 1526?** A similar bill, H.R. 4296, was introduced in the 111<sup>th</sup> Congress. That bill was scored by the Joint Committee on Taxation at \$375 million over five years. We expect the score on this bill to be less based upon the changes in the economy and current projected recovery rates. This targeted, timely investment in a proven technology is a sound investment. It does not require additional research and development, and materials and skilled craft personnel are available now and ready to be deployed. The cost of actually implementing MIA 2011 to Federal Agencies, other than normal administrative tasks, is basically nil. Industry incurs the cost of construction or maintenance and is rewarded by a tax incentive after completing the work.

**How much money and energy can be saved?** The savings based upon the previous score of H.R. 4296 was estimated at \$35 billion over a five-year implementation period, and 170 million metric tons of CO<sub>2</sub> emissions would be reduced.

**If the facility is owned by the Federal or State Government, what happens to the incentive?** H.R. 2866/S. 1526 is designed to allow the tax deduction to transfer to the primary contractor should the facility be owned by the Federal or State Government, a non-profit organization, or other entity not subject to U.S. income tax. This provision allows the incentive to remain intact regardless of facility ownership tax status.

**Where can “certified” insulation appraisers be found?** The National Insulation Association (NIA) offers an extensive two-day course to become a Certified Insulation Energy Appraiser. Those individuals whose company is a member of NIA and who successfully attended the class are listed on the NIA website, [www.insulation.org](http://www.insulation.org). The International Association of Heat & Frost Insulators and Allied Workers have a similar list on their website, [www.insulators.org](http://www.insulators.org), for those individuals employed by signatory contractors.

**Is Mechanical Insulation considered a “green” or sustainable initiative?** Mechanical insulation is used across a broad spectrum of service temperatures from cryogenic to refractory applications, with the predominant usage between -40<sup>o</sup>F and + 400<sup>o</sup>F. Given the wide range of service applications, calculation methodologies, energy sources, logistic options, etc., it is estimated that mechanical insulation, when compared to surfaces without insulation, saves more than 140 and up to 500 times more energy over its life span than it takes to produce the insulation. Mechanical insulation also saves a minimum of 150 (and up to 750) times more CO<sub>2</sub> emissions than it takes to produce the insulation product. In any language that is a sustainable, green initiative that provides an unparalleled ecobalance. From a life cycle perspective, it is one of the most sustainable green initiatives in the commercial and industrial sectors.

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