

United States Senate

WASHINGTON, DC 20510-0609

October 3, 2024

The Honorable Janet L. Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Dear Secretary Yellen:

We write to urge you to ensure that the Department of Treasury's (Treasury) final rule to implement the Section 48 investment tax credit (ITC) allows different taxpayers who own separate, functionally interdependent or integral components of a geothermal heat pump (GHP) system to be eligible to claim the ITC for the equipment they own. We are concerned that Treasury's proposed guidance in its Notice of Proposed Rulemaking Reg-132569-17 (NPRM) for the ITC would severely inhibit the adoption of home-based and community-scale GHP systems, which typically involve multiple owners.

GHPs are among the most energy-efficient heating and cooling systems available for buildings. Increasing their deployment holds enormous potential to lower energy bills for American families and businesses and to reduce emissions. Due to their reliable performance during extreme temperature, GHP systems provide certainty in household energy bills and insulate consumers from energy price shocks due to extreme weather events. A 2023 Department of Energy Oak Ridge National Laboratory report highlights the important role that GHPs can play in decarbonizing buildings, reducing the need for new electricity generation and transmission infrastructure, and enabling energy savings for Americans across the country.¹ According to the report, broad GHP adoption would result in cumulative savings to the U.S. economy of more than \$1 trillion by 2050, eliminate the need for 24,500 miles of transmission lines, decrease required electricity generation by 13 percent, and reduce carbon dioxide emission by more than 7,300 million metric tons.²

A GHP system typically includes a ground loop (or heat exchanger) outside the building as well as a heat pump(s) and conditioning distribution system (piping and ductwork) inside the building – these components typically have different owners. Treasury's interpretation in the NPRM is that these pieces of equipment are functionally interdependent yet distinct components of the same system. As drafted, the agency proposes excluding multiple taxpayers who own those distinct components of a GHP system from claiming a tax credit under the ITC unless the two taxpayers share more than 50 percent overlapping ownership of the equipment. Treasury's interpretation in the NPRM runs antithetical to congressional intent in passing updates to the ITC, which was to promote the wide-scale adoption of GHPs and other clean energy technologies.

¹ See <https://www.energy.gov/eere/articles/us-department-energy-analysis-highlights-geothermal-heat-pumps-pathway-decarbonized>

² *Id.*


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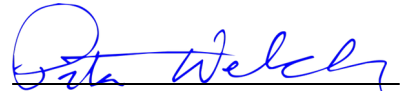
We urge Treasury to modify the proposed guidance and issue a final rule that acknowledges the unique ownership structure of GHP systems and allows taxpayers who separately own the components of a geothermal heat pump system to fully leverage the Section 48 ITC. This will ensure, as Congress intended, that we maximize the deployment of GHP technology and its associated energy reliability and cost savings benefits.

We look forward to hearing from you on this important matter.

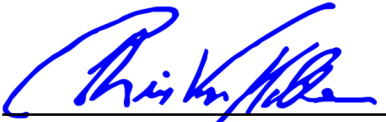
Sincerely,



Michael F. Bennet
United States Senator



Peter Welch
United States Senator



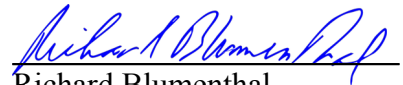
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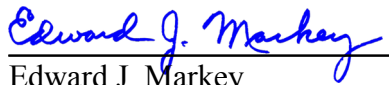
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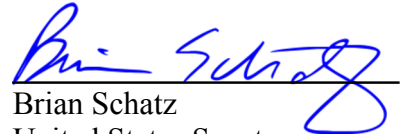
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United States Senator



Bernard Sanders
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United States Senator



Brian Schatz
United States Senator