



National Rural Electric  
Cooperative Association  
A Touchstone Energy® Cooperative

*Fast  
Facts*



## **Extend the Tax Credit for Energy Efficient Geothermal Heat Pumps**

**Issue:** Consumer-owned, not-for-profit electric cooperatives (co-ops) and Public Power Districts (PPDs) across the nation help their consumer-members save energy and money by promoting the use of geothermal (or ground-source) heat pumps. Geothermal heat pumps take heat from the earth and convert it into a heating source for homes and businesses in an extremely efficient manner. (They also transfer heat from the building to the ground to cool the building.) However, the initial capital cost for the technology is more expensive than other home heating options, which presents a significant barrier to its use by households and businesses.

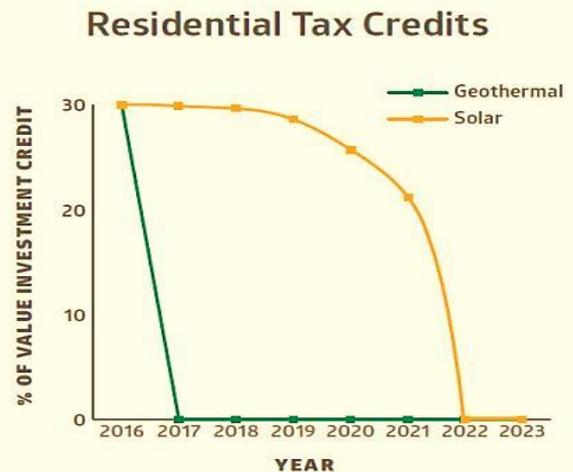
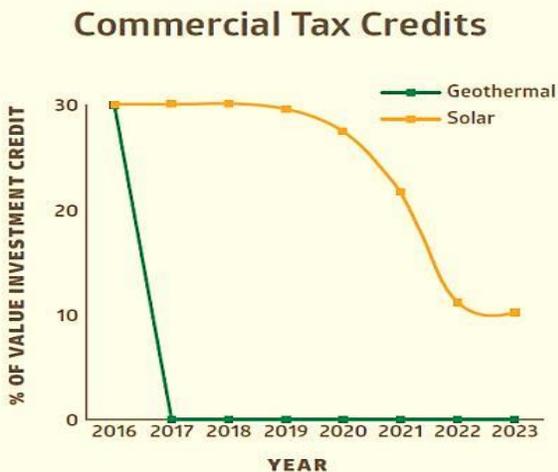
**Background:** Superefficient geothermal heat pumps can cut home heating and cooling bills by up to 70 percent. They can be used in homes, as well as small and large commercial businesses. Geothermal heat pumps can be scaled to any size, and can produce energy 24 hours per day, 365 days per year. Electric cooperatives and PPDs across the nation work hard to provide their member-consumers with a variety of energy efficiency, renewable, and traditional electricity services to meet their growing and changing needs. In fact, co-ops and PPDs have been leaders in developing and deploying innovative technologies to maintain the affordability and reliability of the electricity we provide to 42 million Americans.

Hundreds of electric cooperatives and PPDs across the country help their consumer-owners install geothermal heat pump systems and provide reliable information about the technology. The current tax credits for geothermal heat pumps help offset the high initial capital cost of the systems to the consumers, but those tax credits expire at the end of 2016.

At the end of 2015, Congress extended the Wind Production Tax Credit and the Solar Investment Tax Credit. The tax credits are also gradually phased out under the 2015 legislation. Beginning in 2020, the tax credit for commercial solar facilities is reduced from 30% to 26%, followed by a gradual phase down to 10% in 2022 and beyond. The 30 percent tax credit for residential solar facilities was also afforded a gradual phase-out through 2022.

No extension or phase down was provided for the Geothermal Heat Pump Tax Credit. Therefore, absent congressional action, the Geothermal Heat Pump Tax Credit will abruptly expire at the end 2016. It is highly likely that electric utilities will find fewer consumers interested in reducing their energy usage and electricity bills without this tax credit to keep the initial installation costs reasonable.

## Disparity Between Solar & Geothermal Tax Credits



*The above graphs show the stark contrast between the geothermal tax credit cliff and the slow phase-out of the solar tax credit.*

**NRECA Position:** Congress should extend the geothermal tax credit under both sections 25 (residential) and 48 (commercial) of the tax code. Highly-efficient ground-source heat pumps deserve tax parity with other alternative energy sources like solar that had their tax incentives extended in 2015. **Urge your member of Congress to establish a similar extension and glide path for the geothermal tax credits.**

**For more information:**

**Paul Gutierrez, NRECA**  
703.907.5806  
[paul.gutierrez@nreca.coop](mailto:paul.gutierrez@nreca.coop)  
<http://www.nreca.coop>

**Kristen Gottschalk, NREA**  
402-475-4988  
[kgottschalk@nrea.org](mailto:kgottschalk@nrea.org)

