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**House Committee on Small Business**

**“The State of the Small Business Economy and Identifying Policies to  
Promote an Economic Recovery”**

**January 14, 2009**

Madame Chairwoman and distinguished members of the committee, thank you for the opportunity to testify on behalf of the National Roofing Contractors Association (NRCA) today to explore how small businesses can contribute to the recovery of economic growth in our nation. I am Rob Therrien, president of The Melanson Co., Inc., a roofing contractor in Keene, N.H., and I now serve as president of NRCA.

Established in 1886, NRCA is one of the nation’s oldest trade associations and the voice of professional roofing contractors worldwide. It is an association of roofing, roof deck, and waterproofing contractors; industry-related associate members, including manufacturers, distributors, architects, consultants, engineers, and city, state, and government agencies; and international members. NRCA has approximately 4,000 members from all 50 states and 54 countries. NRCA contractors typically are small, privately held companies, and the average member employs 45 people in peak season, with sales of \$4.5 million per year.

Investing in “Green” Buildings to Stimulate the Economy and Create Jobs

The roofing industry is uniquely positioned to play a significant role in quickly stimulating economic growth and job creation across the nation. NRCA urges Congress to include the “Green Roofing Energy Efficiency Tax Act” (GREETA), H.R. 426, or similar language in the economic stimulus legislation now being considered. This common-sense investment in the emerging “green” economy will result in more “boots on the roof” within days to help jump-start our economy. By accelerating demand for technologically-advanced “green” roofing systems, GREETA will:

- Create 40,000 new “green-collar” manufacturing and contracting jobs;
- Add \$1 billion of taxable annual revenue to the economy;
- Add 250 to 300 million square feet of roofing material installations annually;
- Reduce U.S. energy consumption by 13.3 million kilowatt hours annually;
- Cut carbon dioxide emissions by 20 million lbs. per year; and,
- Provide millions in savings to small businesses through a simpler and more equitable system of taxation and lower energy costs.

GREETA was introduced on Jan. 9 by Rep. Bill Pascrell (D-NJ) with eight cosponsors: Reps. Wally Herger (R-CA), Artur Davis (D-AL), Joseph Pitts (R-PA), Russ Carnahan (D-MO), Dennis Moore (D-KS), Robert Brady (D-PA), Maurice Hinchey (R-NY) and Chairwoman Velazquez (D-NY). This legislation will facilitate greater levels of investment in green technologies and spur economic growth within the construction and manufacturing industries. The legislation amends section 168 of the Internal Revenue Code to provide a 20-year tax depreciation schedule for commercial roof systems that meet a specific energy-efficiency standard.

Passage of GREETA is necessary because between 1981 and 1993 the depreciation schedule for nonresidential property was increased from 15 years to 39 years. However, the current 39 year depreciation schedule is not a realistic measure of the average life span of a commercial roof. A study by Ducker Worldwide, a leading industrial research firm, determined the average life expectancy of a commercial roof to be 17.5 years.

The large disparity between the current 39-year depreciation schedule and the average life span of a commercial roof serves as a major disincentive for building owners to replace failing roofs. This disincentive is slowing the adoption of more advanced energy-efficient and environmentally-beneficial roofs, because an owner who replaces a roof before 39 years have elapsed must continue to depreciate that roof for tax purposes even though it no longer exists. A Treasury Department Report to Congress on Depreciation Recovery Periods and Methods (July, 2000) corroborated this quandary, finding "...a 'cascading' effect, where several roofs are being depreciated at the same time, even though only one is physically present." Given this situation, many building owners choose to do only piecemeal repairs, most often with older technology, rather than replace a failing roof in its entirety with new, more energy-efficient materials.

GREETA will rectify this situation by reducing the tax depreciation schedule for commercial roof systems from 39 to 20 years for roofs that meet the energy efficiency requirements of the benchmark Standard 90.1 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE). Enactment of this legislation will accelerate the adoption of energy-efficient commercial roof systems by eliminating the disincentive in the tax code for building owners to install such systems. As noted, this will have a positive impact on the economy and job creation by spurring greater

demand for energy efficient roofing systems that meet the ASHRAE 90.1 standard. GREETA will also provide environmental benefits by reducing carbon emissions through enhanced energy conservation.

Enactment of GREETA will also benefit millions of small business owners by eliminating or mitigating the “cascading effect” of having to depreciate more than one roof in instances where a roof must be replaced before the 39-year depreciation schedule has been completed. This tax simplification feature of GREETA for commercial building owners that install energy-efficient roofs is an even greater benefit for small businesses that own their building.

Given the many economic as well as environmental benefits of GREETA, the legislation enjoys strong support among business groups and organized labor. The bill is supported by the United Union of Roofers, Waterproofers and Allied Workers, the AFL-CIO’s Building and Construction Trades Department and the Joint Roofing Industry Labor and Management Committee. In addition to NRCA, other business groups that support GREETA include the Asphalt Roofing Manufacturers Association, Building Owners and Managers Association, International Council of Shopping Centers, International Franchise Association, National Association of Convenience Stores, and the Polyisocyanurate Insulation Manufacturers Association. GREETA also enjoys the strong support of several U.S. building material manufacturers with global operations.

#### Bonus Depreciation for Energy-Efficient Roofs

A related short-term incentive to increase employment in the commercial roofing sector even further could be to provide 50% bonus depreciation in 2009 (and 2010 if necessary) for energy-efficient roof replacements installed on commercial buildings. This would permit an owner to deduct 50% of the adjusted basis of the qualified roof property placed in service in 2009. The remaining 50% of the adjusted basis of the property would be depreciated over the existing depreciation schedule. A qualified roof replacement could be defined as meeting the benchmark ASHRAE 90.1 standard, as specified in GREETA.

As you know, a provision granting 50% bonus depreciation for property acquired and placed in service in 2008 was included as part of the Economic Stimulus Act of 2008, but that measure is limited to property with recovery periods of 20 years or less. A bonus depreciation provision for commercial roof replacements could be added to any extension of the 2008 bonus depreciation provision or enacted on its own. This would provide an even greater incentive for building owners to initiate energy efficient roof replacements immediately during the economic downturn rather than waiting until economic conditions improve.

Enactment of GREETA and/or bonus depreciation for energy efficient commercial roofs will immediately create more “green-collar” jobs in the manufacturing and construction

industries while simultaneously benefiting the environment by reducing carbon emissions. As such, we urge your support for inclusion of one or both of these provisions in the economic stimulus bill.

### Funding for “Green” Infrastructure Improvements

NRCA also supports funding for “green” infrastructure improvements in our nation’s building sector in the economic stimulus legislation that Congress will soon consider. We believe that current trends toward the adoption of green buildings are key drivers of economic growth in our industry, and we are working to maximize the economic, environmental and energy conservation benefits of expanding green buildings. NRCA contractor, manufacturer and distributor members are in the forefront of developing and installing a wide variety of green technologies, such as vegetative roofs that reduce urban “heat island” effects and storm-water runoff, “cool” roofs that reduce energy consumption by reflecting sunlight, and photovoltaic roof systems that generate electricity from solar power. Further development of these and other green roofing technologies will provide more opportunities to stimulate economic growth and job creation, while simultaneously reducing energy consumption and protecting the environment.

Roof surfaces across the nation offer an economical and ready-to-use platform for the production of clean, renewable energy using solar and wind sources. The U.S. possesses about 225 billion square feet of stable roof surface among existing commercial and residential buildings, much of which could be used to capture solar and wind energy. According to the Center for Environmental Innovation in Roofing, if one-third of this area could be used for solar energy production via photovoltaic roof systems, our rooftops could generate over 50,000 megawatts of clean power annually or about 8% of our current electricity generating capacity.

In order to further the development and installation of innovative green roofing technologies, NRCA produces two technical publications aimed at educating roofing contractors and building owners about the availability and benefits of such roof systems. The *NRCA Green Roof Systems Manual* provides technical know-how to contractors on the installation and maintenance of vegetative roofs, and the *NRCA Guidelines for the Design of Energy-Efficient Roof Systems* is written for design professionals who want to incorporate energy-efficient roofs into their building designs. By providing these detailed technical publications to roofing contractors and other industry participants, NRCA hopes to facilitate and accelerate investment in energy-efficient buildings that provide for a sustainable environment.

## Conclusion

Including GREETA and/or bonus depreciation for energy-efficient commercial roofs and funding for “green” infrastructure improvements in the economic stimulus legislation will prove to be prudent investments that will immediately stimulate the economy while enhancing energy conservation and protecting the environment.

NRCA wants to again thank Chairwoman Velazquez and other cosponsors of GREETA for your support of this important legislation. NRCA greatly appreciates this opportunity to testify today and looks forward to working with members of the committee and others to craft economic stimulus legislation that meets the needs of small businesses and the roofing industry across the nation.