

September 16, 2022

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Yellen:

On behalf of the National Association of State Energy Officials (NASEO), we urge your consideration of the importance of issuing tax policy guidance in support of leasing options for geothermal heating and cooling systems and clarifying that geothermal ground loops are not considered “limited use property” as defined by Revenue Procedure 2001-28 and are part of the eligible basis for purposes of the tax credit and depreciation. Rapid action on this issue will help to maximize the emission reductions and resilience benefits of the Inflation Reduction Act, expand economic opportunities, and lower the cost of heating and cooling for households and businesses.

NASEO represents the nation’s 56 governor-designated State, Territory, and District of Columbia Energy Offices focused on advancing clean energy solutions in every energy production, distribution, and end-use sector. Many of our members are taking proactive steps to enable and expand the use of cost-effective geothermal energy options such as ground loop systems. We share the goal of dramatically reducing greenhouse gas emissions, along with lowering consumer and business energy bills. We hope that the U.S. Treasury is able to address this issue rapidly and in favor of maximizing the benefits of geothermal energy for America.

Leasing and third-party ownership provides an important mechanism to ensure these benefits go toward disadvantaged communities and meet equity goals. However, without further clarifying guidance from the Internal Revenue Service, uncertainty regarding tax implications of geothermal leasing will inhibit the industry’s ability to offer lease and third-party ownership options and significantly expand new geothermal installations. Moreover, it will limit states’ ability accelerate the availability of consumer energy options that lower costs, improve emissions, and reduce stress on the electric grid.

Best regards,

David Terry, NASEO Executive Director



cc: State Energy Directors; Secretary of Energy Granholm; Alejandro Moreno, Deputy Assistant Secretary, Office of Renewable Power, U.S. Department of Energy

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