



August 11, 2022

The Honorable Nancy Pelosi
Speaker of the House of Representatives
H-232 Capitol Building
Washington, DC 20515

The Honorable Kevin McCarthy
House Minority Leader
H-204 Capitol Building
Washington, DC 20515

Dear Speaker Pelosi and Minority Leader McCarthy:

On behalf of the more than 140,000 members of the National Association of Home Builders (NAHB), I am writing to express our opposition to the *Inflation Reduction Act of 2022*. The legislation fails to address housing affordability and ease the inflationary pressures on housing, arguably the nation's number one economic concern. Further, the proposed changes impacting new building and energy code requirements would be detrimental to new homebuyers and renters who will bear the burden of increasing costs associated with more stringent code requirements.

Housing costs account for 40% of the Consumer Price Index (CPI). With home prices and rents rising even faster than inflation, rising interest rates, and a growing scarcity of both entry-level owner-occupied housing as well as affordable rental units, Americans are being squeezed hard. Rent inflation increased in June at the fastest pace since 1986, yet the bill fails to include any resources to expand the supply of housing, including badly needed affordable rental housing.

NAHB opposes using federal grants to pressure state and local governments to adopt a specific building code (Section 50131). NAHB supports the adoption of cost-effective, modern energy codes; however, the grants provided in this bill lack flexibility and fail to consider local autonomy when adopting the 2021 edition of the IECC for residential buildings and the ANSI/ASHRAE/IES Standard 90.1-2019 for commercial buildings. The legislation will prevent state and local governments from evaluating and amending updated editions of a consensus-based code prior to adoption. Such flexibility ensures that a building code properly addresses the needs of the community and factors in a thorough consideration of risks, costs, technology, and resources.

NAHB is also concerned with grant programs that promote adoption of 'net zero' provisions. These provisions in the 2021 IECC do not meet cost-effectiveness criteria for the consumer and are not appropriate or cost-effective for many jurisdictions. Incentivizing consumers via the tax code, as the bill does for net zero ready homes within the Section 45L tax credit, rather than mandates through building codes, appropriately balances energy efficiency and housing affordability.

The adoption of a federal, one-size-fits-all approach to energy codes will exacerbate the current housing affordability crisis and limit energy choices for consumers. Rather, the Department of Energy should help states advance the codes in a manner that best fits the needs of state and local governments. Additionally, NAHB believes states should have a role in 'matching' federal grants provided for in this section; the legislation proposes eliminating the state's cost share requirement.

NAHB supports the long-term extensions included for many of the existing energy tax incentives. However, we oppose leveraging the tax code to expand prevailing wage requirements, which will have inflationary effects across a range of industries. NAHB also opposes the structural changes made to the Section 45L new energy efficient home tax credit. Energy efficiency will not be served by relying on Energy Star for New Residential Construction as the sole means to qualify for the 45L tax credit.

The lack of skilled labor, the high cost of building materials and local land use policies that restrict home and apartment construction are the main drivers of low housing supply and high home prices. Passing legislation to alleviate these supply-side bottlenecks would increase home construction output and lower inflation. If action on these issues is delayed, housing costs, which are one-third of the Consumer Price Index, will continue to be persistent drivers of inflation due to a lack of attainable housing.

Again, I reiterate NAHB's opposition to the *Inflation Reduction Act of 2022*. The legislation does nothing to address the housing supply crisis facing American families. Rather the bill will disincentivize multifamily construction, increase the cost of new homes through higher energy code requirements, and inflate labor costs. The new domestic minimum tax could increase costs on building material manufacturers and further exacerbate supply chain disruptions, adding to inflationary pressures on home prices and construction costs. For these reasons, we urge you to oppose the *Inflation Reduction Act of 2022*.

Thank you for your consideration of our concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'James W. Tobin III', with a stylized flourish at the end.

James W. Tobin III

Cc: United States House of Representatives