

Insulation Contractors REPORT

A PUBLICATION OF THE INSULATION CONTRACTORS ASSOCIATION OF AMERICA

MAY/JUNE 2016


SAVE Act Amendment Finds a Home in Senate Energy Bill

Supported by a broad coalition of manufacturers, real estate brokers, and energy efficiency organizations, the SAVE (Sensible Accounting to Value Energy) Act was introduced in April as an amendment to the 2016 Senate's Energy Policy Modernization Act.

The SAVE Act, introduced by Senators Isakson (R-GA) and Bennet (D-CO), is legislation to improve the accuracy of mortgage underwriting used by federal mortgage agencies by including a home's expected energy cost savings when determining the value and affordability of energy

efficient homes. Utility bills are usually larger than either real estate taxes or homeowners insurance, but they are currently ignored in mortgage underwriting.

The SAVE Act amendment would apply to FHA mortgage underwriting only. ICAA believes this represents the first step in acknowledging the value of energy efficient homes in the pre-purchase process.

The Senate energy bill also includes a provision for funding the weatherization assistance program at \$350 million for each of five years. 

DOT Mandates Use of Electronic Logging Devices

This information is provided by ICAA Member 2-Track Solutions.

The U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) has announced a rule to require the use of Electronic Logging Devices (ELDs) in an effort to improve compliance with the safety rules that govern the number of hours a driver can work. See



<https://www.fmcsa.dot.gov/hours-service/elds/electronic-logging-devices>.

How Do I Know If This Affects Me?

The rule of thumb is if you are currently responsible for producing paper logs and fall under the governing hours-of-service regulations, you will also be required to be able to produce eLogs when the DOT starts enforcing the new mandates beginning in late 2017.

Another Mandate — How Much Will This Cost Me?

2-Track Solutions will provide its customers with necessary, valuable solutions at a fraction of the cost of other providers. This solution will cost \$1 per day/per driver, which includes all the features of traditional GPS tracking/telematics,

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Energy Efficiency Just as Important as Green Generation

Jeff Beck
ICAA President
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Throughout my career, I have found many interesting business and management ideas that I have employed at work. Many of these ideas come from reading. I like to read business articles, sports magazines, newspapers, and now more recently, the Internet. Personally, I like the newsletter you are reading now — *Insulation Contractors Report* — for its concise communications about issues and news in our industry. Although new regulations such as OSHA's Confined Space in Construction Standard are published by the government in tome length with 300+ pages, *Insulation Contractors Report* succinctly informs me what are our obligations and where should we focus our concerns.

Where the print ends, the ICAA Webinars pick up. Nearly 150 members attended our recent Webinar on complying with the new Confined Spaces in Construction Standard. ICAA Webinars typically run forty-five minutes to sixty minutes and are scheduled at 12:00 noon (EDT) so members throughout the country can listen in.

On April 7, ICAA led a charge of member insulation contractors and suppliers on Capitol Hill to visit Congress. After an orientation and a pep talk, ICAA members met with nearly 50 Congressional offices in the House of Representatives and the Senate chambers. We need your help to increase the number of contractor members in our contingent next year as key legislative issues are pending.


We talked to our representatives about having them support an extension of the IRS Section 25C consumer tax credit through 2017 and an amendment to lift the maximum credit to \$1500. Currently, homeowners receive a tax credit up to \$500 for the purchase of qualified energy efficient products such as insulation. The current tax credit expires December 31, 2016, and reduces taxes for insulation consumers on IRS Form 1040.

What we heard was quite positive. There was bipartisan support of energy efficiency and insulation tax credits, and we were asked to provide commentary on drafts of forthcoming energy efficiency legislation. That is a small but tangible miracle, given the political climate these days. And it was great to see ICAA members from all insulation material manufacturers represented and providing feedback to legislators and Congressional staff.

However, you may already know that the solar and wind credits have been separated from the efficiency credits and granted an additional two-year extension. This has in effect "separated us from the herd" and leaves the efficiency credit standing alone. It is critical that lawmakers hear loud and clear that the impact of efficiency measures both in energy codes and in retrofitting opportunities is just as important as green generation initiatives in the overall energy strategy of the nation. Imagine a home that generates electricity only to waste it through lack of efficiency. Sounds crazy but it reminds me of many other government programs and this type thinking could be very detrimental to our industry.

Which brings me to another miracle featured in Barron's, America's financial magazine: mushroom insulation. As Barron's reports, mushrooms have many uses, and now insulation. A research team at University of Alaska at Anchorage is working to produce insulation from mushrooms. Imagine... gluten-free mushroom insulation that qualifies for a tax credit!

Every ten years or so, the Federal Trade Commission (FTC) conducts a review of its rules, and now it is time again for the FTC to take another look at FTC 460 (also known as the "R-value Rule" or the "Home Insulation Rule"). FTC 460 governs our industry from the manufacturing sector to distribution to installation and sales. FTC 460 can be found by typing in "federal rule" in the Google Custom Search Bar near the top of the ICAA homepage at www.insulate.org.

Issued in 1979, the R-value Rule requires insulation manufacturers, installers, new home sellers, and retailers to provide R-value information, to help inform consumers. As part of the review process, FTC solicits public comments on the efficiency, costs, benefits, and impact of the R-value Rule. For the FTC's last review of the R-value, ICAA provided lengthy commentary and FTC followed through on ICAA's extensive recommendations to amend the Rule. If you would like to voice your comments about the R-value Rule, please direct them to ICAA at icaa@insulate.org and ICAA will be in touch with you to confer. The FTC listens. Another small miracle. 

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Spray Foam Industry Drives Improvements in Energy Modeling Software

By Justin Koscher, Spray Foam Coalition

California's energy code compliance software has been updated to more accurately model the energy efficiency benefits of unvented residential attics.

Building energy codes in many jurisdictions allow builders to meet code requirements through performance-based compliance pathways. A performance-based code provides builders with flexibility and typically requires the use of energy modeling software to verify the performance of construction designs. These software tools model the energy use of a specific design and should allow users to take full advantage of a particular design strategy or building material. Unfortunately, the software published by the California Energy Commission (CEC) was not producing accurate modeling results for a popular attic design – the unvented or sealed attic.

The CEC develops and maintains a public domain software tool known as the California Building Energy Code Compliance software, or CBECC. The tool, like other energy modeling software, is used by homebuilders to verify that designs meet the state's energy efficiency requirements.

An unvented attic design will typically generate 10-15% energy savings versus a traditional vented attic design, according to SPF industry field data. However, previous versions of CBECC showed a vented attic performing as well as an unvented attic with respect to energy savings.


The Spray Foam Coalition, working together with energy-efficiency experts in California, uncovered the cause of this error. CBECC was assigning the same percentage of air leakage to a home's roof regardless of whether the attic insulation was placed on the floor or the underside of the roof deck. Placing air-impermeable insulation like SPF on the underside of the roof



deck seals the attic space from air infiltration bringing the space into the conditioned building envelope. This provides added energy savings by eliminating costly air leaks, capturing conditioned air from HVAC ducts located in the space, and regulating the temperature of the attic from extremes.

The SPF industry collected field data on unvented attics and presented the findings to the CEC, who responded with fixes to the software tool. Today, CBECC is calculating energy savings more representative of the performance levels we see with unvented attics in the field.

The SPF industry will be publishing a guidance document to help further clarify the improvements to CBECC and educate practitioners on the more accurate techniques for modeling unvented attics. The guidance document is expected to be published prior to the Pacific Coast Builders Conference this June and will be available online at: <https://polyurethane.americanchemistry.com/Spray-Foam-Coalition>.

With the increasing popularity of performance-based compliance options for residential construction, it is important that energy modeling software accurately reflect the performance of specific designs and building materials. The Spray Foam Coalition is hard at work to help verify that the versatile performance benefits of SPF products are well represented in these tools. 



Justin Koscher serves as a director at the Center for Polyurethanes Industry and Spray Foam Coalition. He can be reached at justin_koscher@americanchemistry.com.

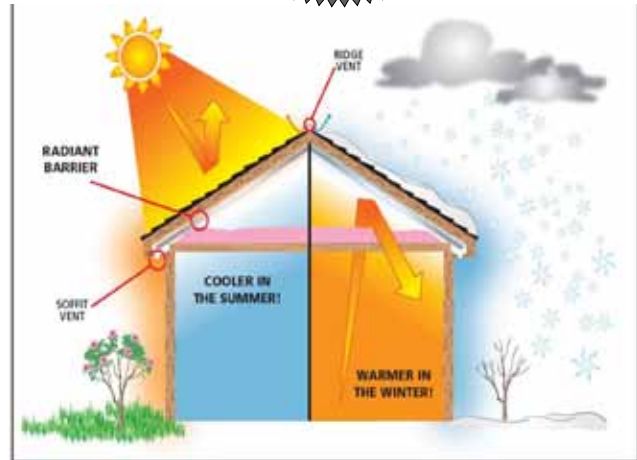


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Estate Tax Plans — Not Only for the Rich and Famous



In 2012, Congress passed the American Taxpayer Relief Act, which finally provided business owners and their advisors with some needed certainty around planning for gift and estate taxes. To recap, each person currently has an exemption amount of \$5.45 million (2016), which can be used to pass assets to heirs free from gift tax during life or estate taxes at death. Assets can still pass tax-free between spouses, and “portability” allows a surviving spouse to use any exemption not used by his or her deceased spouse. This effectively gives a married couple the ability to pass \$10.9 million to their heirs without incurring any federal transfer tax liability.

As a result, planning for estate taxes has become less of a concern for many business owners. In fact, the Urban-Brookings Tax Policy Center (TPC) estimates that only 0.2 percent of all estates from 2015 will owe estate taxes. Put another way, 99.8 percent of decedents will probably not be subject to the federal estate tax!

As reassuring as that sounds, don't relax quite yet. There are other tax issues lurking for the next generation that still need to be addressed when reviewing your estate and business succession plans.

State Level Estate Taxes. Although most individuals will not owe *federal* estate taxes, remember that a number of states impose their own *state* level estate or inheritance tax. Currently, fifteen states (CT, DE, DC, HI, IL ME, MD, MA, MN, NJ, NY, OR, RI, VT and WA) have an estate tax, and six (IA, KY, MD, NE, NJ, and PA) have an inheritance tax. Two states, Maryland and New Jersey, impose both. Each state has an exemption under which assets can pass to heirs without

incurring the state level tax, but these amounts are significantly less than the federal exemption amount in all but three states. Additionally, most states do not offer portability of the deceased spouse's unused exemption, so special planning documents are needed to take advantage of both spouses' state exemption.

Future Income Taxes. In the past, conventional wisdom included lifetime gifting of assets to heirs, with the objective of reducing the size of an individual's estate at death to below the federal exemption amount. Keeping the value of the gifts to less than the annual gift tax exclusion amount (currently \$14,000) each year could allow for a significant reduction in the size of an estate over the years, with no lifetime use of the donor's exemption amount.

However, there is an important difference between lifetime gifts and transfers at death that can have a significant impact when it comes to future tax liability—the tax basis of the property in the hands of the new owner. The basis of property is important, as it is used to determine capital gains or losses when the asset is later sold.

Lifetime gifts receive a “carryover basis,” which means the recipient takes the donor's basis in the property. For highly appreciated assets such as business interests or real estate, this could subject the new owner to significant capital gains tax liability if he or she wants to sell the asset. In contrast, assets received at death take a basis equal to the date of death value. In the case of appreciated assets, tax liability on the growth of the asset can be eliminated when transferred this way. Taxpayers and their advisors need to

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2

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Inset Stapling



GacoProCap



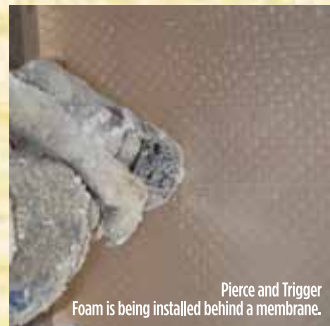
Ensure Drum Tight

3

Inject Foam – Pierce Membrane with Pour Tip



Foam being installed behind GacoProFilm.



Pierce and Trigger
Foam is being installed behind a membrane.



Foam being installed behind GacoProWeb.



Federated Insurance Serving Tempco Insulation

Commentary provided by Chuck Adams of Tempco Insulation, West Monroe, Louisiana

In today's business world, we have challenges. In the insulation world it sometimes feels like the challenges are multiplied. We have to be concerned with rising fuel prices, material cost, overhead, and recruiting and retaining employees. What even makes the stakes higher is the market is getting more competitive, which equates to smaller margins.

With ICAA introducing Federated Insurance to us, this has given us more opportunity to examine other routes for insurance. I called Federated's local representative, Michael Ajlani, to prepare a quote for me for my 2016 year. Mr. Ajlani was very excited to be of assistance and explained to me how Federated Insurance works. My insurance renewal was April 1 and Federated brought me a package. It was competitive to the program I already had in place. I took the plunge and went with Federated Insurance. The price was not the main reason I went with Federated. I wanted to support this



Chuck Adams (left) of Tempco Insulation, and Michael Ajlani of Federated Insurance.

venture with Federated Insurance and the ICAA. It seems to be a good fit.

Thank you Michael Kwart for your hard work you do for our association. This is another opportunity you have provided for us in the insulation industry.

Sincerely,
Chuck Adams
Tempco Insulation

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Estate Tax Plans — Not Only for the Rich and Famous *continued from page 8*

be mindful of the basis and current value of their assets when determining the best way to pass them on to their heirs.

So, just because 99 percent of us probably won't need to worry about estate taxes, tax liability may come in other, less expected, ways. Working with knowledgeable tax and legal advisors is important. Meet with them on periodically to review and update existing plans and identify tax strategies. Because not having an estate plan is something you *don't* want to pass along to your heirs. 

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DOT Mandates Use of Electronic Logging Devices *continued from page 1*

as well as the mandated eLogs via ELD for hours-of-service reporting.

Are There Additional Benefits?

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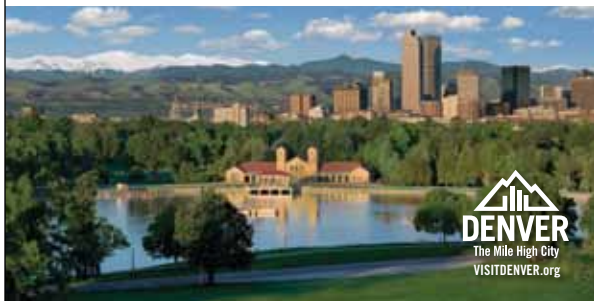
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ICAA Committee Meetings

Friday, June 24

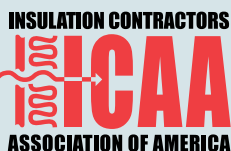
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ICAA PreConvention Workshop

Wednesday, September 28

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Wednesday, September 28 – Saturday, October 1



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