

**ANNUAL REPORT ON THE
IMPLEMENTATION OF ENERGY EFFICIENT MANUFACTURED HOMES
INCENTIVE PROGRAM**

SECTION 48-52-870, CODE OF LAWS OF SOUTH CAROLINA



**Prepared by the South Carolina Energy Office
Submitted to the South Carolina General Assembly
December 31, 2009**

The South Carolina Energy Office submits this report in accordance with Section 48-52-870, Code of Laws of South Carolina.

South Carolina Energy Office

The 1992 South Carolina Energy Conservation and Efficiency Act established the South Carolina Energy Office (SCEO) within the SC Budget and Control Board in order to address energy issues in a consistent and professional manner. The SCEO carries out the state policy and program mandates of the Act and also administers the State Energy Program funded by the United States Department of Energy. Additionally, the office is responsible for substantial functions related to radioactive waste disposal mandated by legislation passed by the General Assembly in 2000. The mission of the South Carolina SCEO is to increase energy efficiency and diversity, enhance environmental quality and save energy dollars for South Carolina. As part of this mission, the SCEO administers the Energy Efficient Manufactured Homes Incentive Program.

Background

Twenty percent of South Carolinians live in manufactured housing, the highest percentage in the nation. Older manufactured homes, built before 1980, consume an average of 53 percent more energy per square foot compared to all other types of homes. Fifty-five percent of these households have incomes below 150 percent of the federal poverty level (Environmental and Energy Study Institute fact sheet, June 2009). These low to moderate income residents can not afford higher than average energy bills. Indeed, anecdotal evidence from utilities and other organizations suggest that some residents have lost their homes not because they cannot afford to pay the mortgage, but because they cannot afford to pay the utility bill. Therefore, any measures that reduce energy use, and thus energy bills, for residents of manufactured housing will contribute significantly to the overall economic well-being of the 20 percent of South Carolina residents who live in manufactured homes.

In 1992 legislation established South Carolina-specific criteria for energy efficient manufactured homes. Manufacturers constructing homes that meet the criteria order labels from the S.C. SCEO and affix them to the more energy efficient homes. Individuals who purchase these energy efficient homes pay no more than \$300 in sales tax. When the program began in 1998, approximately 16 percent of all manufactured homes sold met the more stringent energy efficiency criteria. After 11 years of program implementation, between 70 percent and 80 percent of homes meet the South Carolina energy efficiency criteria (Manufactured Housing Institute of S.C., 2008.) We estimate that these energy efficiency standards have saved South Carolinians as much as \$122,454,016 over the expected life of homes purchased, based on an estimated annual savings of \$152 for a standard manufactured home and \$252 in annual savings for a doublewide home. During this period more than 50,000 labels have been distributed to manufacturers, peaking in 2003 with 11,229 labels distributed and falling to a low of 2385 for 2008, the last full year for which statistics are available. We view the program

as a great success in that it spurred change during a period when little attention was paid to energy efficiency in manufactured housing.

New legislation enacted in 2008 was designed to create more significant incentives for ENERGY STAR labeled homes, which are even more energy efficient than the state-specific energy efficient criteria from 1992. These incentives include the elimination of all sales tax on ENERGY STAR manufactured homes and a \$750 nonrefundable state income tax credit for eligible home buyers. These credits are offered in addition to, not in place of, the older energy efficiency sales tax incentive.

Current Program

Manufactured housing has been regulated by the U.S. Department of Housing and Urban Development (HUD) since 1976 under the Federal Manufactured Housing and Construction Standards (24 CFR 3280.) Recently, the U.S. Department of Energy and the U.S. Environmental Protection Agency created standards for ENERGY STAR manufactured homes, which are at least 15 percent more energy efficient than homes meeting the minimum energy code. In general, ENERGY STAR qualified homes include features and appliances that make them as much as 30 percent more efficient than most recently constructed manufactured or site-built homes. Factors contributing to increased efficiency include:

- Effective insulation in walls and floors
- High performance windows, including protective coatings and improved frame assemblies
- Tight construction and ducts so that cracks and holes are sealed to reduce drafts, dust and moisture problems
- High efficiency heating and cooling equipment
- ENERGY STAR qualified lighting and appliances

Section 48-52-870 creates the Energy Efficient Manufactured Homes Incentive Program. It was established by S. 1141 and introduced by Senators McConnell, Rankin, Martin, Leventis, Peeler, Alexander, Hayes, Setzler, Hutto and Ceips in 2008. The law was enacted to provide financial incentives for the purchase and installation of energy efficient manufactured homes in South Carolina in order to save money for low income residents and to reduce energy use across the state.

This program compliments federal incentives, which offer \$1000 tax credits to manufacturers of ENERGY STAR rated homes, and incentives offered by one utility (Progress Energy) to retailers who sell ENERGY STAR homes. Progress Energy will pay manufactured home producers and retailers, or modular home builders, a \$400 rebate for each new ENERGY STAR home equipped with a minimum of 14 SEER cooling equipment sold to customers of Progress Energy in North Carolina or South Carolina. Homes with 15 SEER cooling equipment are eligible for a \$700 rebate. Both Progress Energy and Duke Energy offer ENERGY STAR homeowners a five percent bill discount.

Implementation

As required by law, the SCEO created retailer instructions (Appendix A) and an application form (Appendix B) for the new \$750 tax credit. The SCEO worked with the S.C. Department of Revenue and the Manufactured Housing Institute of South Carolina to develop instructions for retailers and a form to certify the purchase which would be simple for home buyers to complete.

Retailers who sell an ENERGY STAR manufactured home are required to certify that they have installed the home in accordance with guidelines. That certification is returned to the home's manufacturer, who in turn files it with the national entity tracking ENERGY STAR home sales on behalf of the EPA and DOE. When a retailer sells an ENERGY STAR home, he/she supplies the buyer with a form to fill out and mail to the S.C. Energy Office.

The SCEO reviews the form, ensures that the home buyer has received his/her ENERGY STAR certification from the retailer, and signs and returns the approval form to the home buyer. The home buyer then attaches the certification to his/her tax form if filing a paper form, or retains it with other records if filing electronically.

Results

According to the Manufactured Housing Institute of South Carolina, an average of 140 homes per month were shipped from manufacturers to dealers in the state, meaning that approximately 700 have been shipped from the inception of the program July 1, 2009 to November 30, 2009, the last date for which data are available. According to the national database that manufacturers use to report ENERGY STAR homes produced and installed, 74 ENERGY STAR homes have been installed on-site in accordance with ENERGY STAR standards (hence certified) since July 1, 2009. Eight additional homes have been sold to SC homebuyers this year for which the site work hasn't been completed or the site completion paperwork hasn't been filed. In total, there are 82 homes that should be eligible for the tax credit. Energy efficient ENERGY STAR homes represent approximately 12% of the manufactured homes sold in South Carolina for the five months the program has been active, which represents a major success and significant savings for homeowners.

In addition to the ENERGY STAR homes that have been sold to date, national database records indicate that there are 113 ENERGY STAR homes placed in production since July 1, 2009 and sold to SC dealers, but for which no homeowner information has been provided. Many of these homes are recent sales and many are stock or display units. And half of these homes have been placed in production in just the past two months. Once installed on-site in accordance with ENERGY STAR requirements, these homes should also be eligible for the tax credit.

To date, only three households in South Carolina have submitted approval forms to the S.C. Energy Office. The first home buyer to receive approval was featured in an article in the SCEO newsletter (see Appendix B). While energy savings for this first year are

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minimal, we expect more significant results in subsequent years and plan to use a format similar to the table below to report future results.

Location	Approximate square feet	Approved	Expected Annual Energy Savings (MMBTU)	Equivalent CO2 Reduction (lbs.)
Easley	2255	10/09/09	15.35	5,831
Sellers	2255	12/17/09	15.35	5,831
Summerton	1600	12/30/09	14.07	5,347
Total			44.77	17,009

Calculations are based on the most recent U. S. Energy Information Agency data (2005) for residential energy use based on square footage of homes. The SCEO made the very conservative assumption that the ENERGY STAR home would save only 15 percent of the energy used by the average home of approximately the same square footage.

It is our understanding that dealers expect home buyers to file their request for ENERGY STAR certification tax credit approval when they get ready to file their 2009 tax forms. We are working with the Manufactured Housing Institute of S.C. to be sure dealers explain to customers that waiting until the last minute could result in delays in filing for the tax credit

Appendix

Appendix A:

Retailer Instructions

ENERGY STAR Incentives for Manufactured Homebuyers and Dealers

Customer's \$750 Income Tax Credit

In order for your customers to claim the \$750 non-refundable* tax credit on their state tax returns, the following items must be completed:

- Step 1.** Provide the customer with a copy of the ENERGY STAR Tax Credit Application Form (available on the web at either www.energy.sc.gov or www.mhisc.com).
- Step 2.** Verify that the *Site Installation Checklist* provided by the manufacturer and shipped with the home is completed and signed (the gray ENERGY STAR quality assurance label affixed inside the home should also be signed). Return a copy of the signed *Site Installation Checklist* to the manufacturer.
- Step 3.** Give the customer two copies of the bill of sale (clearly showing date of sale) and two copies of the signed *Site Installation Checklist* (must include customer's name and home address). The customer must forward one copy of each of these documents to the State Energy Office along with the ENERGY STAR Tax Credit Application Form. The address is on the application form.
- Step 4.** The State Energy Office will approve the request and return the form to the customer. The customer must retain the form along with other income tax records, and must include a copy with his/her income tax filing if filing a paper form.

*Non-refundable tax credits can not reduce the tax owed to less than zero.

Sales Tax Elimination

South Carolina law eliminates sales tax on homes meeting ENERGY STAR requirements. State law requires retailers to maintain records on each ENERGY STAR manufactured home sold. In lieu of a special form, the State Energy Office will require that retailers simply retain copies of the *Site Installation Checklist*, which must include the customer's name and home address. By law, these records must be retained for three years and must be made available for inspection upon request of the Department of Consumer Affairs or the State Energy Office.

Retailer's Rebate

Retailers that sell Home Advantage ENERGY STAR homes that are connected to Progress Energy Carolina's service will receive a rebate for each home sold (check with the home manufacturer on the amount of the rebate). To receive the rebate, complete the rebate claim form available on the web at www.research-alliance.org and fax it, along with copies of the signed *Site Installation Checklist* and cooling equipment invoice, to the number shown on the form.

Appendix

Appendix B:
Tax Credit Approval Form

Appendix

Energy Efficient (ENERGY STAR) Manufactured Home Credit Application Form

Please follow instructions carefully and submit to:

**South Carolina Energy Office
Attn: Energy Star Manufactured Home Credit
1200 Senate St., Room 408 Wade Hampton Building
Columbia, S.C. 29201 803-737-8030**

Applicant name:

(Note: Applicant name must match name on bill of sale)

Applicant Social Security Number* or Tax Identification Number (if not an individual):

Address of home for which \$750 tax credit is sought:

Applicant mailing address, if different than above:

(Note: If neither fax nor email is included, your form will be returned via U.S. Mail)

Applicant email:

(Needed only if you prefer to receive your approved application via email)

Applicant fax:

(Needed only if you prefer to receive your approved application via fax)

Applicant phone:

Date of sale:

(Note: You must attach a copy of your bill of sale and ENERGY STAR Site Installation Checklist)

Description of home: Single Double Triple

Approximate square footage: _____

I certify the above information is correct, and that I am the owner of the ENERGY STAR home for which a bill of sale and Site Inspection Checklist is attached.

***Social Security Privacy Act :** It is mandatory that you provide your social security number on this tax form. 42 U.S.C 405(c)(2)(C)(i) permits a state to use an individual's social security number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SC Department of Revenue shall provide identifying numbers, as prescribed, for securing proper identification. Your social security number is used for identification purposes.

(Signature)

(Please print name)

-----SCEO Approval – Do not write below this line -----

(Name)

(Title)

(Date)

Appendix

Appendix C:

First ENERGY STAR Manufactured Home Buyer

(article)

Energy Connection, Winter, 2009

ENERGY STAR manufactured home makes debut in Upstate

The South Carolina Energy Office recently received its first request for approval of documentation for the state's new \$750 income tax credit for an ENERGY STAR® manufactured home. Purchased at gallery of Homes of the Upstate, the home belongs to Phillip and Jessica Spradling of Easley.

An ENERGY STAR-qualified manufactured home is generally 30 percent more energy efficient in its heating, cooling, and water heating than a comparable standard code home. This increased level of energy efficiency can be met using standard technologies and manufacturing practices by successfully integrating three key home components:

- An energy-efficient building envelope (e.g., effective insulation, tight construction, and high-performance windows).
- Energy-efficient air distribution (e.g., airtight, well-insulated ducts).
- Energy-efficient equipment (e.g., space heating, space cooling, and hot water heating).

And unlike a site-built home, an ENERGY STAR manufactured home enjoys the benefits of factory-controlled conditions and third-party verification. The ENERGY STAR program is a joint effort between the U.S. Department of Energy and the Environmental Protection Agency.

Mr. Spradling said the economic benefits played a large role in why he and his wife chose to purchase an ENERGY STAR home.

"We've always been focused on conservation, on saving energy and money, especially in a recession," he said.

Mark Dillard, Director of the Manufactured Housing Institute of South Carolina agrees. "Homes remain in use longer than any other consumer product. It makes sense to focus energy efficiency incentives on housing because the payoff is year after year," Dillard said.

Utility companies state-wide are also encouraging this effort.

"Energy efficiency not only saves money for the homeowner, but saves money for the utility in the long run by delaying the need for new power supplies," Joel Ledbetter, General Manager of Easley Combined Utilities, said. "We think the tax credit is a great way to encourage people to invest in ENERGY STAR homes."

The tax incentives do not apply to modular homes. Manufactured homes are built to a national building code and modular homes are built to a state building code. The builder, developer or retailer selling the home can tell you whether the home you are interested in is a manufactured or modular home.

Appendix