



NY GEOTHERMAL ENERGY ORGANIZATION

June 7, 2019

Re: Support for S-6310 - Provides an exemption for the sale and installation of residential and commercial geothermal heat pump systems equipment

Dear Senator Sanders

The New York Geothermal Energy Organization (NY-GEO) is a non-profit organization representing geothermal heat pump (GHP) installers, manufacturers, distributors, general contractors, engineers, renewable energy consultants and industry stakeholders from throughout New York State.

We write in support of S-6310. This bill is designed to provide sales tax parity for GHP with New York's treatment of Solar Photovoltaic (PV) installations. GHP technology, like Solar PV, accesses renewable energy while providing a host of economic and environmental benefits that are well aligned with NYS priorities.

There is relatively little discussion of the drain on New York's economy from our energy dollars that flow out of state to pay for fossil fuels. NYSERDA's January 2019 Patterns and Trends report documents that of the \$48.8 billion New Yorkers pay for energy, \$22.3 leaves the state – a significant 45% drain on the State economy.

In contrast, the installation costs of geothermal heating and cooling systems are primarily for labor that is impossible to outsource, and all of the manufacturers of geothermal heat pumps currently in the market are US manufacturers. Once installed, the costs of electricity to power the pumps will stay with in-state utilities and the minimal maintenance costs will be paid to local labor.

Thus, the tax gains from the economic impact of plugging the drain on out-of-state fossil fuel purchases while stimulating the geothermal heat pump market, coupled with the multiplier effect of local spending, should offset the loss of sales tax revenue to New York State.

While low operating costs of geothermal systems are a benefit for building owners, the upfront cost of the installing systems is a key barrier to market penetration. Eliminating the sales tax will lower the cost of installing a GHP system and encourage the transition to this renewable heating and cooling source. The elimination of the sales tax for solar PV has been a wise and productive investment for New York State, and passage of S-6310 should be seen in this same light.

Sincerely,

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