

118TH CONGRESS
1ST SESSION

H. R. 6104

To amend the Internal Revenue Code of 1986 to provide a credit for the labor costs of installing mechanical insulation property.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 26, 2023

Ms. SÁNCHEZ (for herself and Mr. FITZPATRICK) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a credit for the labor costs of installing mechanical insulation property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Mechanical Insulation
5 Installation Incentive Act of 2023”.

6 **SEC. 2. LABOR COSTS OF INSTALLING MECHANICAL INSU-**
7 **LATION PROPERTY.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **“SEC. 45BB. LABOR COSTS OF INSTALLING MECHANICAL**
4 **INSULATION PROPERTY.**

5 “(a) IN GENERAL.—For purposes of section 38, the
6 mechanical insulation labor costs credit determined under
7 this section for any taxable year is an amount equal to
8 10 percent of the mechanical insulation labor costs paid
9 or incurred by the taxpayer during such taxable year.

10 “(b) MECHANICAL INSULATION LABOR COSTS.—For
11 purposes of this section—

12 “(1) IN GENERAL.—The term ‘mechanical insu-
13 lation labor costs’ means the labor cost of installing
14 mechanical insulation property (including property
15 assembled offsite) with respect to a mechanical sys-
16 tem referred to in paragraph (2)(A) which was origi-
17 nally placed in service not less than 1 year before
18 the date on which such mechanical insulation prop-
19 erty is installed.

20 “(2) MECHANICAL INSULATION PROPERTY.—
21 The term ‘mechanical insulation property’ means in-
22 sulation materials, and facings and accessory prod-
23 ucts installed in connection to such insulation mate-
24 rials—

1 “(A) placed in service in connection with a
2 mechanical system which—

3 “(i) is located in the United States,
4 and

5 “(ii) is of a character subject to an al-
6 lowance for depreciation,

7 “(B) in a manner that meets or complies
8 with the minimum requirements of Reference
9 Standard 90.1 (as defined in section
10 179D(c)(2)), and

11 “(C) the installation of which results in a
12 reduction in energy loss from such mechanical
13 system.

14 “(c) TERMINATION.—This section shall not apply to
15 mechanical insulation labor costs paid or incurred after
16 December 31, 2028.”.

17 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
18 NESS CREDIT.—Section 38(b) of such Code is amended
19 by striking “plus” at the end of paragraph (40), by strik-
20 ing the period at the end of paragraph (41) and inserting
21 “, plus”, and by adding at the end the following new para-
22 graph:

23 “(42) the mechanical insulation labor costs
24 credit determined under section 45BB(a).”.

25 (c) CONFORMING AMENDMENTS.—

1 (1) Section 280C of such Code is amended by
2 adding at the end the following new subsection:

3 “(i) MECHANICAL INSULATION LABOR COSTS CRED-
4 IT.—

5 “(1) IN GENERAL.—No deduction shall be al-
6 lowed for that portion of the mechanical insulation
7 labor costs (as defined in section 45BB(b)) other-
8 wise allowable as deduction for the taxable year
9 which is equal to the amount of the credit deter-
10 mined for such taxable year under section 45BB(a).

11 “(2) SIMILAR RULE WHERE TAXPAYER CAP-
12 ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

13 “(A) the amount of the credit determined
14 for the taxable year under section 45BB(a), ex-
15 ceeds

16 “(B) the amount of allowable as a deduc-
17 tion for such taxable year for mechanical insu-
18 lation labor costs (determined without regard to
19 paragraph (1)),

20 the amount chargeable to capital account for the
21 taxable year for such costs shall be reduced by the
22 amount of such excess.”.

23 (2) The table of sections for subpart D of part
24 IV of subchapter A of chapter 1 of such Code is

1 amended by adding at the end the following new
2 item:

“Sec. 45BB. Labor costs of installing mechanical insulation property.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to amounts paid or incurred after
5 December 31, 2023, in taxable years ending after such
6 date.

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