

The Energy-Efficient Commercial Buildings Tax Deduction (IRC Section 179D, enacted by Section 1331 of the Energy Policy Act of 2005), provides a significant financial incentive to meet or exceed energy reduction requirements for new and existing buildings. EAct allows taxpayers to take a one-time deduction benefit on qualified energy-efficient commercial building property placed-in-service after December 31, 2005 and before January 1, 2018. The primary designer for any government building can also take advantage of this deduction.

ELIGIBILITY

For projects completed between 1/1/2006 and 12/31/2015, eligible improvements must reduce total annual energy costs by a specific amount in comparison to a Reference Building under ASHRAE 90.1-2001. Buildings completed after 1/1/2016 will be compared using the ASHRAE 90.1-2007 standards. The project must be certified by an engineer or contractor properly licensed in the jurisdiction in which the building is located.

BENEFITS

A one-time tax deduction of up to \$1.80 per square foot is available for the cost of developing energyefficient property, including design, labor, and materials. This is achieved by qualifying for a deduction of up to \$0.60 per square foot in three separate categories: interior lighting, HVAC and building envelope. The deduction is based on the total square footage improved, but cannot exceed the cost of the energyefficient improvements.

SQUARE FEET	LIGHTING (\$0.30 - \$0.60/SF)	HVAC (\$0.60/SF)	ENVELOPE (\$0.60/SF)	MAX. DEDUCTION (\$1.80/SF)
50K sf	\$15K - \$30K	\$30K	\$30K	\$90K
100K sf	\$30K - \$60K	\$60K	\$60K	\$180K
250K sf	\$75K - \$150K	\$150K	\$150K	\$450K
500K sf	\$150K - \$300K	\$300K	\$300K	\$900K

GOOD CANDIDATES INCLUDE:

- Newly constructed buildings of at least 40,000 square feet.
- Renovation projects (especially lighting retrofits).
- Regional and national chains with multiple locations.

ARCHITECTS & ENGINEERS

When tax-exempt entities (schools, municipalities and governments) build a new facility or implement energy retrofits, the deduction may be claimed by the primary designer, lighting/HVAC consultants, and energy service companies (ESCOs). Unique rules apply and only one design professional may claim a project's benefit.

GETTING STARTED

Maximizing the 179D deduction is all about design. Not all energy efficient improvements qualify; therefore it is important to get us involved early. Additionally, there may be other incentives or strategies available that can further enhance benefits for the same project, resulting in a greater ROI and reduced payback period.