



TAXAND

# WHAT IS SECTION 179D?

## A Big Tax Break for Energy Efficient Buildings

As part of the Energy Policy Act, Section 179D was intended to incentivize the building of energy efficient properties and make an impact on the goal of achieving energy independence.

This little-known provision of the tax code allows those who make buildings more energy efficient to increase their profits significantly. It can put hundreds of thousands of dollars of cash back into your business.

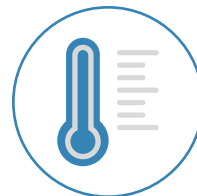
Section 179D stipulates that owners and “designers” (architects, engineers and contractors) of energy efficient buildings are allowed to take a deduction of up to \$1.80 per square foot for designs that reduce the total energy and power costs by 50 percent or more, when compared to an ASHRAE 90.1-2001 reference building. The majority of new construction, and many retrofits, will qualify or partially qualify for 179D just by meeting today’s stricter building code requirements.

The IRS allows the designers of the project to claim this deduction for certain energy efficient features in public schools, universities, government, municipal and public buildings. The deduction is available for both new buildings and retrofits.

The deduction is available for reductions in the energy use of these building systems:



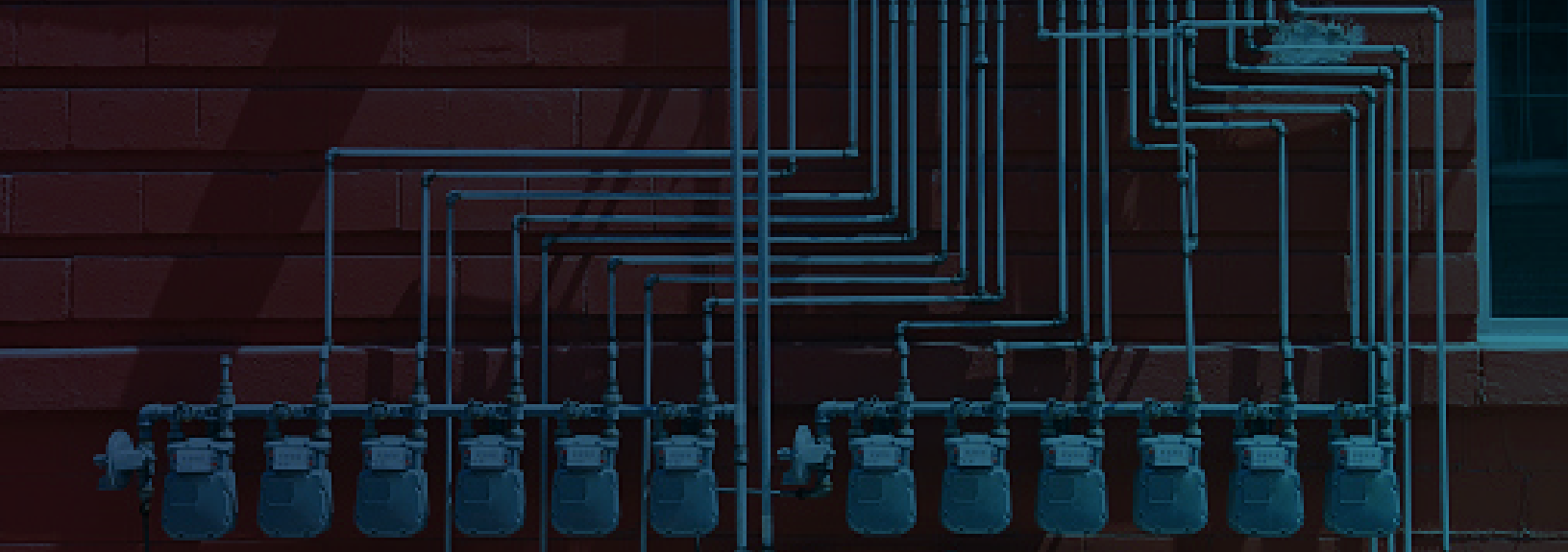
Interior Lighting



HVAC/Hot  
Water Systems



Building  
Envelope



*Section 179D stipulates that owners of commercial property and “designers” (architects, engineers and contractors) of government, civil, or municipal buildings are allowed to take a deduction of up to \$1.80 per square foot.*

The maximum deduction is given to projects that reduce their total energy costs by 50 percent or more. If your design doesn't meet this threshold, it could still qualify for a partial deduction. For example, if only one of the three areas meets the criteria, the building will qualify for a \$.60 per square foot deduction. If two of three areas qualify, a \$1.20 per square foot deduction can apply.

For partial deductions, the requirement for the building envelope is a 10 percent improvement. For HVAC/hot water systems, the improvement must be 15 percent and lighting must reach a 25 percent threshold. Each of these areas requires modeling.

A company has the ability to go back three tax years to claim the Energy Policy Act Section 179D deduction. These deductions are exercised on amended tax returns, potentially generating a substantial refund from the IRS.

To claim the deduction, a building's owner or designer must have the energy savings certified by a third-party, independent firm.

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