

179D federal energy tax deductions

Ask us what your property qualifies for!

What are the requirements?

- Must reduce total annual energy and power costs with respect to the interior lighting, systems, heating, cooling, ventilation and hot water systems by 50%, but partial deductions are allowed.
- Energy simulation is required to justify the deduction.
- Inspection and testing must be completed by a qualified engineer or contractor registered in the jurisdiction.

How much is the deduction?

- Maximum deduction - \$1.80 per ft² equals 50% reduction in total annual energy and power costs (compared to a reference building that meets the minimum requirements of ASHRAE Standard 90.1-2001 or 90.1-2007); not to exceed the amount equal to the cost of energy efficient commercial building property placed in service during the taxable year.
- Partial deduction - \$.60 per square foot for a qualifying energy reduction for building envelope, HVAC, service hot water, and/or lighting systems.
- Partial deduction (interim lighting) - \$.30 – .60 per ft² = 25 – 40% reduction in lighting power density (50% in case of warehouse).

What qualifies?

- Commercial buildings (any size).
- Apartments, four+ stories, for lease.
- Commercial energy renovations.

What is the time frame for eligibility?

- Units must be completed or renovated after December 31, 2005.

Who qualifies for the deduction?

- Building owner at the time of building improvements.
- Public buildings – the owner may allocate the deduction to the designer (architect, engineer, contractor, environmental consultant or energy services provider) for the tax year that includes the date the property is placed in service.

What is needed from the builder?

- Current full set of architectural plans that includes all specifications.
- Energy compliance documents for lighting, HVAC and envelope (Title 24 or IECC).
- Trace 700 archive (TAF) - computer file used to generate energy reports, (optional).
- A contact person and phone number.

What do I get from a 179D review?

- FTD certificate package - requires documentation for deduction.
- Review of building lighting, HVAC, and envelope systems for Federal Tax Deduction qualification.
- Contract for analysis and certification documentation.

How do I claim the deduction?

- The deduction is taken on the “Other Deductions” line of the taxpayer’s return.
- Tax returns may be amended going back three consecutive tax years.

ETS will provide you with a summary of compliance, Department of Energy certified software and engineer or contractor verification documentation. According to your preference, ETS will provide all documentation in either paper or electronic format.

About Engineered Tax Services

ETS is a professional engineering firm that has its own licensed engineers, LEED Accredited Professionals, and experienced Certified Public Accountants on staff. We marry the science of engineering with the principles of tax and accounting to arrive at financial solutions that increased cash flow, minimized tax payments, and maximum return on investment. Since EAct was enacted, ETS has been at the forefront of the energy accreditation and related tax benefits field. **Please contact us for more information about 179D EAct, 45L Home Tax Credit, Cost Segregation, insurance appraisals, energy audits, and renewable energy credit service.**