



TAX CREDITS & INCENTIVES ADVISORY

Section 179D Energy Tax Deduction for A&E Firms

Significant Tax Deductions for Designers of Energy-Efficient Public Buildings

Section 179D is an energy tax incentives recently extended and available for the primary designers of energy-efficient public buildings placed in service through 2020. This tax incentive remains underutilized because many architects, engineers and contractors do not know it exists.

The benefit is intended to help building owners offset some of the costs of energy-efficient construction and improvements to commercial buildings. However, when the building owner is a public entity, that benefit would go to waste. So the benefit has been made available to taxpayers, who are the primary designers of energy efficient public buildings, to take the deduction in place of the public entity owner of the building.

To help you better understand the Section 179D energy tax deduction and how it may be able to benefit your business, the tax professionals at Cherry Bekaert have put together the following list of frequently asked questions.

What Qualifies for Section 179D?

Energy-efficient construction or improvements (e.g., building envelope, interior lighting, heating, ventilation, air-conditioning and hot water systems) that reduce total annual energy/power costs by at least 50% as compared to ASHRAE Standard 90.1-2007. 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?

The maximum deduction is \$1.80/sq. ft. for a 50% reduction in total annual energy/power costs, not to exceed the amount equal to the cost of energy-efficient commercial building property placed in service during the taxable year. Partial deduction is 60¢/sq. ft. for a 25-40% reduction in lighting power density (50% for warehouse).

What is Required in Order to Take the Deduction?

An energy efficient certification is required to be completed by an independent third-party. The certification includes both software modeling to quantify the deduction and a site visit to ensure the components are installed as designed. Cherry Bekaert coordinates with the engineers, obtains benefit application from the building owner, and provides tax expertise to verify the deduction is appropriate and correctly filed on the tax returns. We work closely with our qualified engineering partners to obtain the certification for all qualified projects.

What Qualifies?

- ▶ Public schools and libraries
- ▶ Government-owned buildings or facilities – state, local and Federal
- ▶ University-owned student housing
- ▶ Apartments and facilities
- ▶ Military facilities

Who Qualifies?

A primary designer creates the technical specifications for construction or installation of energy efficient public building property (e.g., architect, engineer, contractor, environmental consultant).

What is the Eligibility Timeframe?

Units must be completed or renovated after December 31, 2005, and before January 1, 2021.

We Can Guide You Forward

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About Cherry Bekaert

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What Do I Need From the Builder?

- ▶ Current full set of architectural plans, mechanical and electrical drawings, plus specifications for lighting, building envelope (insulation, doors and windows) and HVAC system
- ▶ Date property was placed in service
- ▶ A contact person and phone number

What Do I Get From a 179D Review?

- ▶ Cherry Bekaert Section 179D Pre-Certification Review, including scoping estimate.
- ▶ High-level analysis of building (including Review building lighting, HVAC and envelope systems for possible deductions) to determine if building qualifies for the energy deduction.
- ▶ Estimate of energy deduction and Return on Investment analysis to help explain tax and savings benefits.

How will the Section 179D Deduction Affect My Tax Return?

Energy deduction will directly reduce tax income in the year placed in service and will reduce the depreciation expense of the asset.

Talk to your Cherry Bekaert tax advisor today and see what incentives may still be available to you. With proper planning, you can ensure to see the green in your green building.

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