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### **179D Energy Policy Act (EPACT)**

The 179D Energy Policy Act of 2005 (EPACT), also known as IRC Sec. 179D, is a popular tax incentive that enables buildings owners and designers to claim a tax deduction for energy-efficient commercial building property (EECBP) including HVAC, building envelope and interior lighting. The tax deduction allows for up to a \$1.80 per square foot (\$0.60 per square foot for each system). The following buildings are eligible to benefit from this tax incentive:

- Newly constructed commercial buildings
- Commercial buildings with energy renovations
- Apartment buildings (Four stories or more)
- Government owned buildings

For many years the 179D energy-efficiency tax deduction has been extended from year to year but at the end of 2020 this valuable tax deduction has been made permanent while updating the standards for maintaining energy efficient solutions.

The EPACT Tax Deduction utilizes the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) 90.1 2001, 2007, 2016 and 2019 standards for creating the baseline reference of your building. The standard is based on the year the building was placed in service and the year construction began.

#### **Who qualifies the deduction?**

As per the law and policy, the parties that can qualify and are eligible for the tax deduction are given below.

- Privately Owned Buildings
- Designers of the Government Owned Buildings

#### **Qualifying requirements**

To qualify for the deductions.

- The EECBP must reduce total annual energy and power costs with respect to the interior lighting systems, heating, cooling, ventilation, and hot water systems by 50%.
- Moreover, partial deductions are also allowed. As per 2012 revision, tax provision allows following deductions.
  - \$0.60/SF for HVAC systems meeting 15% savings
  - \$0.60/SF for lighting systems meeting 25% savings
  - \$0.60/SF for Building Envelope systems meeting 10% savings
- Additionally, interim lighting also allows partial deductions from \$0.30 to \$0.60 per square foot which results in 25 – 40% reduction in lighting power density (50% in the case of warehouses).

#### **Certification requirements**

The certification requirements to claim and qualify for the deduction are given below.

- To calculate the energy and power costs savings, a software should be used approved by the Department of Energy.
- In accordance with the latest standards and NERL guidelines, field inspections must be performed for the property installed with the energy efficient assets in service.
- Certifications must be completed by a qualified Engineer or Contractor in the Jurisdiction of the qualifying building.
- The taxpayer shall maintain the certification in their records to establish the entitlement to, and amount of, the deduction claimed.

### **How EPACT benefits Privately Owned buildings**

For Privately-owned properties placed in service as of January 1, 2006, could benefit from the 179D deduction. The deduction is available for building owners, as well as tenants who pay for and are depreciating the energy-efficient improvements.

The owners can claim the deductions up to \$1.80 per square foot. The properties that can be claimed for tax deduction by for-profit owners include.

- Commercial buildings of any type
- Apartment buildings (Four stories or more)
- Industrial property
- Parking Garages

### **How EPACT benefits designers of Government Owned buildings**

The 179D Energy Policy Act provides an incentive for designers of government owned buildings. The “designer” of a government owned EECBP is eligible for the 179D tax deduction. A designer creates the technical specifications for installation of EECBP, and the definition of a designer could include architects, engineers, general contractors and subcontractors. However, a person that merely installs, repairs, or maintains EECBP is not a designer.

Government-owned buildings at the federal, state or local levels can all potentially qualify for 179D, including:

- K-12 Schools
- Military Bases
- Universities
- Libraries
- Prisons
- Courthouse

### **Certification Process**

To determine your eligibility, PLC will review your buildings’ drawings and specifications in our no cost preliminary review. Once contracted we do an engineering based digital model of your building accompanied by an on-site survey. The report is certified by a professional engineer licensed in that buildings state. The final report is then sent to you for your CPA.