

Your Agency May be Eligible for a Section 179D Energy Efficiency Tax Deduction

What Is It?

Congress passed the Energy Policy Act of 2005 that created a tax incentive that relates to the design and installation of energy efficient interior lighting, HVAC, hot water, or building envelope systems. This incentive, Section 179D of the Internal Revenue Code, allows qualifying businesses to receive up to \$1.80 per square foot in deductions for eligible projects placed into service between January 1, 2006 to December 31, 2013, and the deduction is applicable to both retrofit and new construction. Since government entities do not pay taxes, under the 179D Special Rule for Government-Owned Buildings, they may allocate the benefit to a tax-paying 'Designer' and receive savings in return for the allocation. Eligible designers include architects, engineers, or design-build contractors who have provided technical specifications of the new government buildings or renovations/retrofits of existing government buildings.

What Property Qualifies?

The full tax deduction is available to owners and lessees of both new and existing commercial buildings (and government buildings) in which the installation of interior lighting systems, HVAC systems, building envelope, and service hot water systems reduce the total annual building power and energy costs by 50% or more compared to ASHRAE 90.1-2001 minimum requirements. Partially qualifying property deductions are available to the individual systems that exceed ASHRAE 90.1-2001 as follows: lighting (25%), HVAC hot water (15%) and envelope (10%) in energy and power costs.

What Tax Deduction is Available?

The Section 179D tax deduction available ranges from \$0.30 to \$1.80 per square foot of improved building. If the property is a fully qualifying property with a 50% energy savings, the available deduction is the cost of the qualifying systems up to \$1.80 per square foot. If

the building contains a partially qualifying property for interior lighting, HVAC, or building envelope system, the deduction available is the cost of the respective qualifying systems up to \$.60 per square foot. In addition, the interim lighting rule provides a tax deduction if the system provides a 25% (50% for warehouses) reduction in light power density.

How Do I Determine if My Property Qualifies?

In order to determine if your property fully or partially qualifies, a qualified individual must conduct a Performance Rating Method (PRM) and then provide a certification for the property. This process includes utilizing a qualified software program as well as a site visit. It is important that you examine and exhaust all of the partial and fractional qualification methods in order to maximize your benefit. There are very experienced 179D experts who are ready to assist your agency in determining eligibility for the 179D deduction and to process all necessary certifications and documentation with no up-front cost.

Continued on reverse



179D at a Glance

What is 179D?

The Section 179D deduction of the Internal Revenue Code encourages energy efficiency in building design and construction. Originally enacted as part of the 2005 Energy Policy Act, it expired 12/31/13. 179D provides a retroactive opportunity for savings from investments in energy efficiency.

What does 179D cover?

All new & existing government buildings: schools, hospitals, airports, parking garages etc.

Is there a minimum sized project?

At least 40,000 square feet of affected space is needed to support costs.

Who is eligible?

Any governmental entity including schools, airports, cities, counties, states, universities, and federal agencies who have newly constructed or retrofitted existing lighting, HVAC & building envelope systems.

Source of construction funds:

The statute is blind as to the source of funds used for project construction; therefore, local capital funds, ARRA monies, State or DOE grants and energy performance contracts are all candidates for the 179D benefit.

But governmental entities do not pay taxes, how can my governmental entity get a payment?

The IRS guidance states that governments may allocate the 179D to ESCOs, architects, contractors or engineers who designed energy efficient systems of their buildings, and just like other governmental assets, the governments can receive in exchange for a negotiated savings from the ESCO, architect or engineer a portion of the tax benefit of the 179D deduction confirmed in a transfer agreement accounting for all of the processing costs including certification, legal, accounting and data gathering fees.

SECTION 179D.ORG
Fast resolution answering questions related to the Section 179D Tax Deduction, and answering the top 100 most common questions about Section 179D.

HOME | DEDUCTIONS | CALCULATOR | STIMULUS ACT | QUALIFIED LEASES | EQUIPMENT SELLERS | FAQ

THE SECTION 179 DEDUCTION

NEWS ALERT: SECTION 179 RESTORED TO ORIGINAL LIMITS FOR 2014

June 1, 2014 For the upcoming 2014 tax year, Section 179 has been restored to its original limits of \$25,000 plus an adjustment for inflation.

Bookmark this page and check back for official details and easy-to-understand, up-to-date explanations regarding any changes to Section 179 for 2014.

Until April 15, 2014, all pages of this site, including the Section 179 Calculator, will remain with 2013 tax year compliance information. Afterwards, the site will be updated with the new Section 179 Deduction information for tax year 2014.

Here are the Section 179 Deduction Limits for 2013 and 2012 (retroactive)

Section 179 has been enhanced for "old" 2012 and 2013 tax years (2012 is retroactive, obviously). This is due to the passage of H.R. American Taxpayer Relief Act of 2012 (the "Fiscal Cliff" fiscal cliff bill).
2012 Deduction Limit = \$50,000
2013 Limit on Capital Purchases = \$2,000,000
2013 Bonus Depreciation = 50%

Please note the above limits are as of 1/1/2013, and are for tax year 2013. In addition, 2012's old limit (\$120,000 deduction) has now been raised to \$50,000 as well. This means qualifying purchases you made in 2012 can now take advantage of the new, higher deduction limits.

Please Note:
Section 179 Deduction is available for most new and used capital equipment, and also includes certain software. Bonus Depreciation can be taken on new equipment only (no used equipment, no software).

When applying these provisions, Section 179 is generally taken first followed by Bonus Depreciation -- unless the business has no taxable profit in the given tax year.

Also, many businesses are finding [Section 179 Qualified Financing](#) to be an attractive option in 2013.

Online Poll
What is the average amount you'll invest in energy efficiency?
 \$0
 \$1 - \$5,000
 \$5,000 - \$10,000
 \$10,000-\$50,000
 More than \$50,000

231:12:29:30
days hours min sec
since Section 179
Deadline

How many years can I apply 179D?

The IRS has a 3-year statute of limitations on claiming refunds, so projects completed 1/1/2010 to 12/31/2013 are potential candidates.

How much can I allocate?

Up to \$1.80 per square foot from new & existing buildings (\$0.60/sqft to lighting, HVAC, and building envelope systems respectively).

What are typical government savings?

\$25,000 to over \$250,000+.

How long does the process take to get a payment?

Typically 4-6 months.

What is the process?

An expert 179D consultant can take care of every step of the process to ensure a successful outcome: 1. Feasibility study to determine eligible amounts & verify with participating designers; 2. Negotiate Allocation Agreement; 3. Certification by qualified third-party energy modeling with DOE-approved software; 4. Site visit; 5. Closing documentation with legal, accounting, governmental entity & Designer(s) and exchange of value.

What is the savings requirement?

25% Lighting, 15% HVAC, 10% Envelope (ASHRAE 90.1-2001 Reference Standard).

What is the cost?

There is no-upfront cost. Fees are paid upon successful receipt of refund payment from the IRS.