

# Energy-Efficient Commercial Building Tax Deduction

## Accelerated Tax Savings For 'Green' Buildings

Known as §179D, this accelerated tax deduction provides a significant financial incentive for building owners who commit to conserving resources.

If your company builds, owns or leases commercial buildings, and you have built, installed or retrofitted the property to be more energy efficient, you may be eligible to deduct all or part of the costs associated with the construction, installation or retrofit.

The Energy-Efficient Commercial Building Tax Deduction, or §179D, provides a tax deduction of up to \$1.80 per square foot for the installation of systems that reduce the total energy and power costs by 50 percent or more when compared to a reference building.



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Eligible building systems include interior lighting systems, heating, cooling, ventilation, hot water systems and building envelope systems. The deduction is based on improvements over ASHRAE 90.1 2001\*, and it effectively lowers the investment required to build green, update or replace an outmoded system.

The deduction is allowed for prior tax years and can include multiple taxpayers, in which case the deduction is allocated among them. Even if your building doesn't meet the 50 percent energy savings, it could still qualify for a partial deduction of \$.60 per square foot if certified to reduce energy costs by 20%.

To qualify for a full or partial deduction, the energy-efficient property must meet the following criteria:

- The building must be located in the United States.
- The installation must be considered as part of interior lighting systems, HVAC and hot water systems or the building envelope (insulation, exterior doors, exterior windows, roofing material).
- The building owner must have the property certified that installation will reduce total annual energy and power costs by 50 percent or more as compared to an ASHRAE reference building.
- The property must be certified by an IRS-qualified, independent professional engineer or contractor licensed in the same jurisdiction as the proposed building.
- The building must meet the energy and power consumption calculation based on IRS-approved software programs that compare the subject to a reference building.

## Summary:

- Accelerated deduction allows for immediate expensing of costs otherwise capitalized and recovered through depreciation over 27.5 or 39 years.
- Available for tenant-owned improvements, rental apartments that are four stories or more, and designers of government-owned buildings.
- Property types include retailers, distribution centers, hotels, parking garages, apartment buildings that are four stories or more, industrial facilities, and office buildings.
- Deduction is available for property placed in service after December 31, 2005.
- Available for new construction and existing buildings.
- Incentives for lighting, HVAC and building envelope.

Square Footage	Lighting Minimum Deduction \$ .30/sqft	Lighting Maximum Deduction \$ .60/sqft	HVAC Maximum Deduction \$ .60/sqft	Building Envelope Maximum Deduction \$ .60/sqft	Building Maximum Deduction \$ 1.80/sqft
75,000	\$22,500	\$45,000	\$45,000	\$45,000	\$135,000
100,000	\$30,000	\$60,000	\$60,000	\$60,000	\$180,000
250,000	\$75,000	\$150,000	\$150,000	\$150,000	\$450,000
500,000	\$150,000	\$300,000	\$300,000	\$300,000	\$900,000
1,000,000	\$300,000	\$600,000	\$600,000	\$600,000	\$1,800,000

Our dedicated team includes licensed engineers, appraisers, architects, CPAs and construction managers, many of whom are LEED Accredited Professionals. If you think you may qualify for this deduction and want to increase your cash flow, contact SourceCorp Professional Services, the nation's leading business tax consulting firm specializing in Energy-Efficient Commercial Building Tax Deductions, Cost Segregation, R&D Tax Credit Studies and LIFO Inventory Strategies.

\*American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Std. 90.1-2001



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