

# The Energy Policy Act of 2005- The Basics on the Energy Policy Tax Incentives

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## **Title XIII-Energy Policy Tax Incentives**

Subtitle C-Conservation & Energy Efficiency  
Provisions

- Sec 1331 Energy efficient commercial buildings deduction
- Sec 1332 Credit for construction of new energy efficiency homes
- Sec 1333 Credit for certain non-business energy property
- Sec 1334 Credit for energy-efficient appliance



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## **Sec. 1333 Credit for Certain Non-Business Energy Property**

Other Qualified Energy Property	Tax Credit
Electric heat pump water heaters	\$300
Electric heat pumps	\$300
Central air conditioners	\$300
Natural gas, oil or propane water heaters	\$300
Natural gas, propane or oil furnaces and hot water boilers	\$150
Advanced air circulating fan	\$ 50



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## **Sec. 1333 Credit for Certain Non-Business Energy Property**

The Department of the Treasury has amended tax form 1040 to include a line for energy tax credits in the tax credit section and has issued regulations specifying what energy efficiency equipment and improvements for residential buildings qualify for tax credits.



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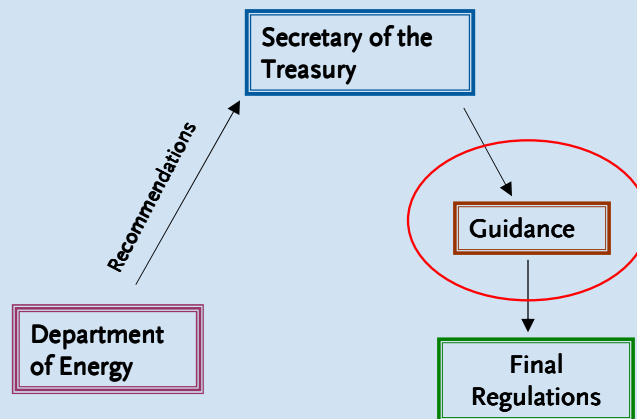
## SEC. 1331 Energy Efficient Commercial Buildings Deduction Highlights

- Applicable for building owners and leaseholders
- Property placed into service from 1/1/2006 and 12/31/2007
- IRS issued interim guidance on June 2, 2006
- IRS issued Bulletin June 26, 2006
- IRS expects that the interim guidance will be incorporated in regulations



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### Process



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## Commercial Buildings Tax Deduction

### Maximum deduction -

of **up to \$1.80 per sq/ft** for buildings that achieve **50 % energy savings**

### • Three major systems

- Interior Lighting
- HVAC (heating cooling, ventilation and hot water systems)
- Building Envelope

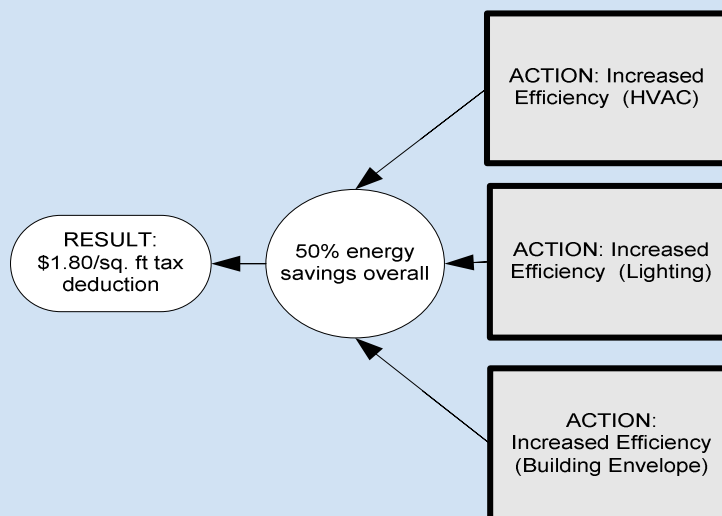
### Partial deduction -

of **up to 60 cents sq/ft** for buildings that achieve **16 2/3 % energy savings (or interim rule for lighting)**



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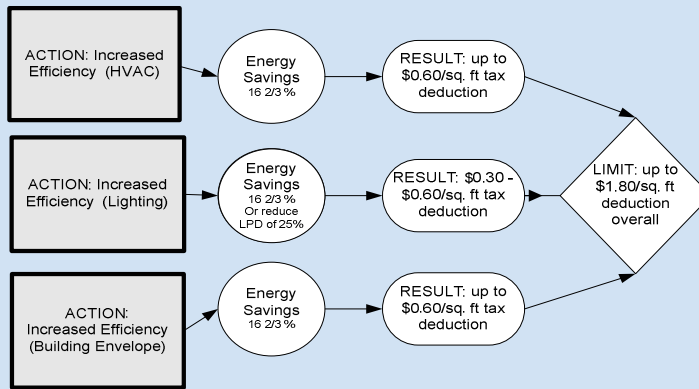
## Maximum Tax Deduction



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## Partial Tax Deduction

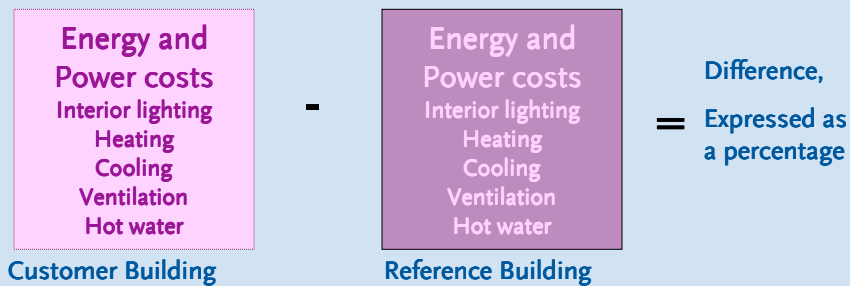
Up to \$0.60/sq. ft. per system for improvements to 1 or 2 systems



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## Calculating a Partial Deduction

Performance Rating Method



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## Lighting



**Either:**

**Permanent rule:**

Performance Rating Method  
(calculating the energy & power costs reduction)

**or**

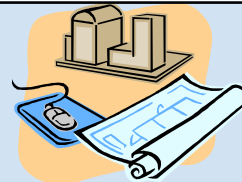
**Interim Rule:**

\$0.30 to \$0.60 per square foot for  
25%-40% lighting savings  
relative to ASHRAE 90.1-2001  
Sliding Scale Based Upon Lighting Power Density  
Reductions



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## Certification Requirements



Guidance indicates that certification should come from:

- Qualified Individual: licensed engineer or contractor
- Qualified Software to Calculate Energy Savings: list published by DOE
  - [www.eere.energy.gov/buildings/info/tax\\_credit\\_2006.html](http://www.eere.energy.gov/buildings/info/tax_credit_2006.html)



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## Software that meets the IRS's requirements



Software name and version	Date DOE Received Complete Documentation
<a href="#">TRACE 700 version 6.0.2.1</a>	16 June 2006
<a href="#">EnergyPlus version 1.3.0.018</a>	23 June 2006
<a href="#">Hourly Analysis Program version 4.31</a>	17 August 2006

Updated: 30 August 2006



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## Resources for Potential Support

Energy Policy Act 2005:  
[energy.senate.gov/public/\\_files/ConferenceReport0.pdf](http://energy.senate.gov/public/_files/ConferenceReport0.pdf)

Internal Revenue Service: [www.irs.gov](http://www.irs.gov)

Guidance:

June 2<sup>nd</sup> [www.irs.gov/pub/irs-drop/n-06-52.pdf](http://www.irs.gov/pub/irs-drop/n-06-52.pdf)

June 26<sup>th</sup> [www.irs.gov/pub/irs-irbs/irb06-26.pdf](http://www.irs.gov/pub/irs-irbs/irb06-26.pdf)

News Release:

[www.irs.gov/newsroom/article/0.,id=158395,00.html](http://www.irs.gov/newsroom/article/0.,id=158395,00.html)



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## Possible Guidance on Meeting Advanced Energy Targets

- New Buildings Institute (NBI) [www.newbuildings.org](http://www.newbuildings.org)
  - Advanced Buildings™ Suite:
  - Advanced Lighting GuidelinesCase Studies Available at: [www.advancedbuildings.net](http://www.advancedbuildings.net)
- Northwest Energy Efficiency Alliance –
  - Better Bricks [www.betterbricks.com](http://www.betterbricks.com)
- National Lighting Bureau -
  - referral service for qualified lighting professionals[www.nlb.org](http://www.nlb.org)



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## Resources for Potential Support

- NEMA's Commercial Building Tax Coalition:  
[www.efficientbuildings.org](http://www.efficientbuildings.org)
- NEMA's Lighting Tax Deduction Information:  
[www.lightingtaxdeduction.org](http://www.lightingtaxdeduction.org)
- CEE: [www.cee.org/com/bldgs/epact.php3](http://www.cee.org/com/bldgs/epact.php3)
- GE Lighting:  
[www.gelighting.com/na/business\\_lighting/education\\_resources/epact](http://www.gelighting.com/na/business_lighting/education_resources/epact)
- Sylvania:  
[www.sylvania.com/AboutUs/EnergyAndEnvironment/RegulationsLegislation/Energy/EPACT](http://www.sylvania.com/AboutUs/EnergyAndEnvironment/RegulationsLegislation/Energy/EPACT)



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## Panel Participants

Update on Pending Legislation

***David Goldstein*** NRDC & TIAP

NEMA Coalition - ***Kyle Pitsor*** NEMA  
Lighting Industry - ***Joe Howley*** GE  
HVAC Industry - ***Jim Mullen*** Lennox  
Energy Efficiency Industry- ***Jim Parks*** SMUD



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