



## Federal Tax Deductions for Commercial Buildings – Going on Guidance

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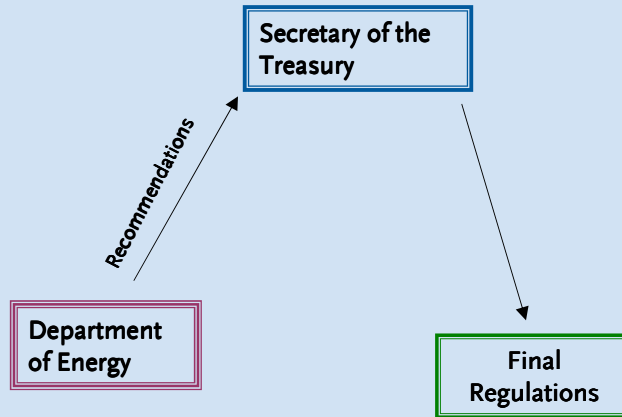
### **Commercial Buildings in EPACT : The Basics**

- SECTION 1331 OF H.R. 6 (PUBLIC LAW 109-58)
- Signed in August, 2005
- Tax Deduction Provision for Energy-Efficient Commercial Building Property
  
- Extra Financial Assistance



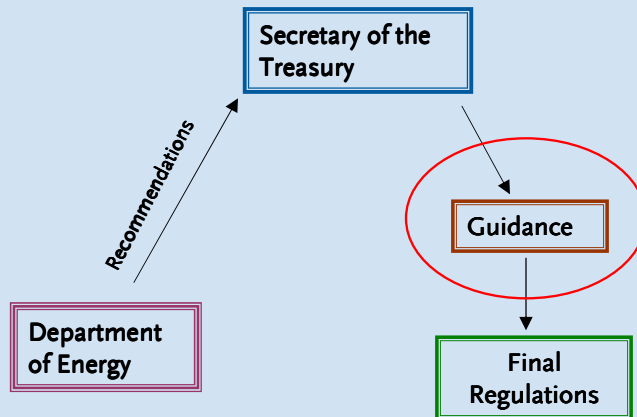
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## Where are we now?



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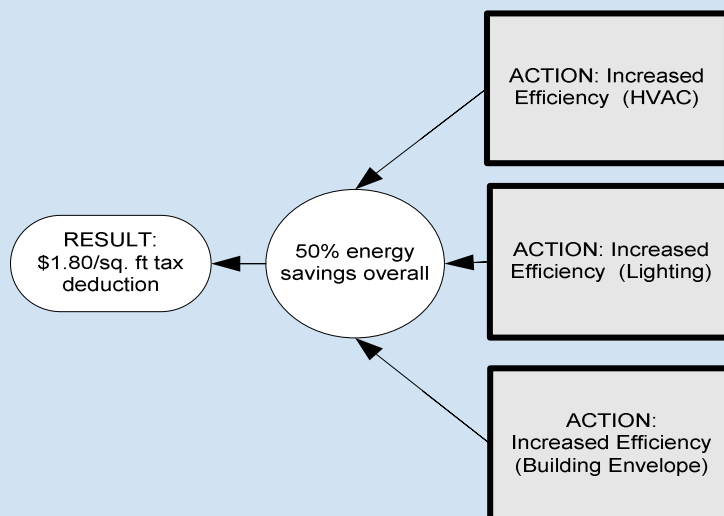
## Commercial Buildings Tax Deduction

- Three major systems
  - HVAC
  - Lighting
  - Building Envelope
- Maximum deduction available for whole-building approach



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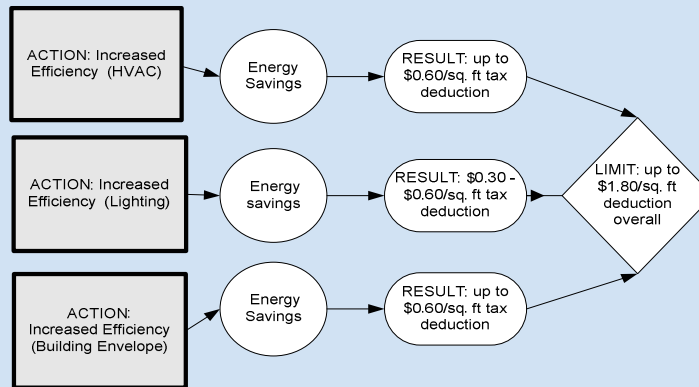
## Maximum Tax Deduction



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## Partial Tax Deduction

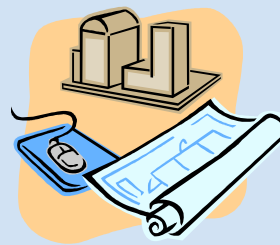
Up to \$0.60/sq. ft. per system for improvements to 1 or 2 systems



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## Reference Building

- Same climate zone as the taxpayer
- Meets minimum requirements of 90.1-2001



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## Interim Rules for Lighting

\$0.30 to \$0.60 per square foot for  
25%-40% lighting savings  
relative to ASHRAE 90.1-2001

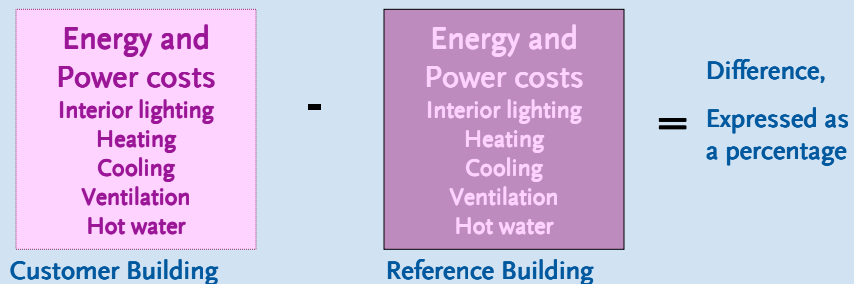
Sliding Scale Based Upon Lighting Power Density Reductions



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## Calculating a Partial Deduction

Performance Rating Method



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## Certification Requirements

Guidance indicates that certification should come from:

- A Qualified Individual: licensed engineer or contractor
- Qualified Software: Within the DOE's published list of qualified software



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## Commercial Tax Deductions: Before and After June 2, 2006

### BEFORE

Deduction for Maximum Building  
Concept of Partial Deductions  
Interim Guidance for lighting  
Need for Certification and Qualification

### AFTER

What we had before, plus...  
Guidance on efficiency targets for HVAC and Building Envelope  
Additional guidance for Lighting  
Description of Reference Building  
Certification and Qualification Procedures



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## Resources for Potential Support

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

Guidance:

<http://www.irs.gov/pub/irs-drop/n-06-52.pdf>

News Release:

<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:
    - Benchmark™
    - Benefits Guide
    - Reference Guide
  - Advanced Lighting GuidelinesCase Studies Available at: [www.advancedbuildings.net](http://www.advancedbuildings.net)
- North West Energy Efficiency Alliance – Better Bricks  
[www.betterbricks.com](http://www.betterbricks.com)



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## Resources for Potential Support

- Commercial Building Tax Coalition:  
[www.efficientbuildings.org](http://www.efficientbuildings.org)
- Lighting Tax Deduction Information:  
[www.lightingtaxdeduction.org](http://www.lightingtaxdeduction.org)



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## Commercial Building Tax Coalition Websites

**Commercial Lighting Tax Deduction**

The Energy Efficient Commercial Buildings Deduction  
EPAct 2005's new incentive for lighting and building efficiency

The Energy Policy Act of 2005 created the Energy Efficient Commercial Buildings Deduction, which allows building owners to deduct the entire cost of a lighting or building upgrade in the year the equipment is placed in service, subject to a cap. This website, developed by the Lighting Systems Division of the National Electrical Manufacturers Association (NEMA) in cooperation with the Commercial Building Tax Deduction Coalition, provides education about the lighting aspects of the Deduction and resources to help with its implementation. It was created as the first of a series of lighting education initiatives by the lighting industry addressing lighting quality and efficiency.

**How does it work?**  
Learn about the lighting aspects of EPAct 2005's Commercial Buildings Deduction. [More...](#)

**Okay, but what about...?**  
See the answers for popular questions about the Commercial Buildings Deduction, and ask one yourself. [More...](#)

**How does this apply to my project?**  
See examples on how you can qualify for the Commercial Buildings Deduction on our next project. [More...](#)

**COMMERCIAL BUILDING TAX DEDUCTION COALITION**

Interior lighting   Costing   Heating   Ventilation  
Hot water systems   Building envelope

About the Provision  
Related Rules and Links  
Coalition Members  
Resource Organizations  
Press Room  
Success Stories  
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Site Map

**Background**

The Energy Policy Act of 2005 included a new tax incentive, backed and advocated by the National Electrical Manufacturers Association (NEMA) and the National Resources Defense Council (NRDC), to improve the energy efficiency of commercial buildings. The "Commercial Building Tax Deduction" establishes a tax deduction for expenses incurred for energy-efficient building expenditures made by a building owner. The deduction is limited to \$1.00 per square foot of the property, with allowances for partial deductions for improvements in interior lighting, HVAC, and hot water systems, and building envelope systems. The provision is effective for property placed in service from January 1, 2005 through December 31, 2007.

About the Commercial Building Tax Deduction Coalition

NEMA convened a broad-based coalition of business, trade, government, energy efficiency, and other groups and organizations. The Commercial Building Tax Deduction Coalition is working to ensure the provision is implemented smoothly and to promote awareness and information about its benefits, and energy efficiency improvements in commercial buildings.



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