

**19
89** | **OVER
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The EAct 179D energy tax incentives are alive and well: Who benefits the most? - by George Crawford

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First of all what are the EAct 179D tax incentives? And secondly, who would be the best candidates to benefit from these incentives?

Answer follows: These tax incentives revolve around the installation of energy efficient

lighting, HVAC systems and building envelope projects. The tax benefits, which can be very significant, are available to owners of commercial buildings or tenants that own the lighting and HVAC systems in commercial buildings. These benefits are also available to hotels and apartment buildings as well as parking garages. The benefit itself comes in the form of a tax deduction, so for this benefit to work, the recipient must be able to utilize tax deductions on their income tax returns. For those that can use tax deductions, this tax incentive is significant and well worth the follow up.

In addition to owners of commercial buildings or tenants that own the lighting and HVAC systems, these tax benefits also extend to primary designers – such as architects, engineering firms, energy services companies and contractors if they have worked on any federal state or local government building energy efficiency projects.

To move on to more of the specifics, one of the more favored categories for the EAct 179D tax incentive are industrial buildings. Manufacturing buildings or warehouses are advantaged under this tax law since even a basic LED lighting retrofit project will trigger the full \$1.80/s/f tax deduction benefit. Parking garages are another advantaged category, but are limited to a \$0.60/s/f benefit for their interior lighting systems.

Hotels and apartment buildings (again as long as they can utilize these tax deductions) are also good candidates for the EAct 179D tax incentive program. If a hotel or apartment installs a new central HVAC system or LED lighting, it has an excellent chance of qualifying for the full \$1.80/s/f. The energy savings targets are set at very low levels for this program, so as a result almost any LED lighting upgrade will trigger the maximum benefit.

As for a specific example as to how this program works, take a 100,000 s/f warehouse which initiates a LED lighting retrofit. This retrofit triggers the \$1.80 per s/f tax benefit, which in this example totals \$180,000 in potential tax deductions. Here the LED retrofit which triggered the tax benefit cost \$50,000, so the \$50,000 is deducted from the \$180,000 and is then taken as a tax deduction. The remaining balance of \$130,000 is then available for other qualifying projects. You are allowed to go back ten years and identify past qualifying projects for the remaining balance – in this case up to the remaining balance of \$130,000.

The present extension of EAct 179D was extended through December 2017. So to take advantage of this extension, review projects starting in Jan 1, 2006 through 2017. In terms of the actual IRS submission itself, don't be put off by the filing requirements which include an energy simulation model, third party certification and a 150-page report. While most CPA firms are not set up to address these requirements, there are a small group of tax service providers that have the qualifications and computer capability to meet these requirements and can coordinate the required tax preparation with your own tax provider. All that is needed are the details or drawings of a building's lighting, HVAC or building envelope project. Most of these tax service providers will review your project data on a complimentary basis. To proceed with the actual documentation work for the tax filing, there is a fee which is usually a small percentage of the tax savings realized. One example of a well established tax provider specializing in this work is Energy Tax Savers. Their web site www.energytaxsavers.com contains additional helpful information with regard to EAct179D including an on-line webinar.

On a related note – throughout this article there is reference to the fact that a LED lighting retrofit triggers these tax benefits. This is not a random or incidental reference. The fact that LED lighting retrofits save energy is recognized in the tax code is an important affirmation. Look at this opportunity from two vantage points 1. Qualifying for the EAct 179D tax benefits and 2. Initiating a LED lighting retrofit that will save on energy costs now and might qualify for the EAct 179D tax benefits in the future should this tax provision be extended, as it has been many times in the past.

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