



Geothermal heat pump technology approved as renewable energy - by Chris Plummer

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Chris Plummer

For building owners, consulting engineers, and general contractors searching for new ways to enhance the efficiency and sustainability of cooling units while seeking to preserve the atmosphere and global ecosystem, the big news is geothermal heat pump technology.

The Inflation Reduction Act of 2022 introduced some exciting new opportunities for owners and developers in building sustainability. Under the new Act, geothermal heat pump technology is now classified as a “renewable energy,” offering considerable tax benefits and allowing you to keep BTUs in the building. The federal income tax breaks offer:

- 30% of geothermal heat pump system costs
- Direct rebates equal to the credit for non-taxable entities
- No limit to the maximum credit or rebate
- Exemption from AMT
- Recognition for up to three years prior
- Rights to sell and transfer
- Use for more than one year

The Act also introduces the ability for commercial properties to take advantage of accelerated depreciation within their taxes, such as:

- Five-year MACR depreciation for geothermal heat pump system costs
- Bonus depreciation eligibility

In order to qualify for these enhanced benefits, you simply need to meet the following criteria:

- The building is located within the United States
- Original use of the property begins with the taxpayer
- Your construction commenced before 12/31/2034

In many cases, these benefits can result in a return on investment (ROI) in less than one year.

During the first week of March, senior account executive at Gil-Bar, Nick Denson, organized a full week of presentations to customers in New York City with Dan Ellis, former president of

ClimateMaster. These presentations went on to explain why the Inflation Reduction Act of 2022 is important to building owners, developers and consulting engineers. “The excitement around this new law creates a win-win for everyone. Geothermal helps the environment and pays for itself in just a year,” said Denson. “The reactions to this news have been incredibly positive.”

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