



**Energy Policy Act (EPAct) 179D**

# The Learning Objectives

- Basic knowledge of how **Energy Policy Act (EPAcT) 179D** works to claim substantial benefits for energy efficient design, construction and renovation of commercial buildings placed in service between the years **2006 and 2013**.
- Learn how **Private Building** benefit **Owners and Tenants** and why management companies, engineers, architects, escos, and energy consultants should also be aware of this policy.
- Learn how **Public Buildings** benefit **Architects, ESCOs and Engineers** as the “*Designer*” of new construction, additions or renovations.
- Turn your knowledge and application of EPAcT 179D into a new **Competitive Advantage** and niche **Business Development Strategy**.
- Learn how to further increase ROI with **Abandonment Studies and Cost Segregation Studies**



# About Commercial Energy Makeover Experts

- **CEME** is affiliated with licensed **Engineering Firms** with niche **Accounting and Tax** expertise with offices across the United States
- **CEME** affiliates averages **\$50 million** in monthly refunds and tax benefits for real estate clients (*200+ studies per month!*)
- **CEME** affiliates averages **\$10 million** in monthly refunds and tax benefits for architects, engineering firms, contractors and other firms involved in Public Building projects
- **Our Affiliated Clients** include Google, IKEA, Hilton, Marriott, Disney, Boeing, Ford, BMW, Outback



- Affiliates are **partners** with AIA, USGBC, Energy Star, DOE, ASHRAE



AIA



## Office & Warehouse relamping!

- ✓ **100,000 s.f. facility** – Office and warehouse combination  
– 10 years old
- ✓ **Initial Relamping Cost - \$150,000**
- ✓ **Utility and other rebates - \$65,000**
- ✓ **179D Tax Deduction - \$60,000**
- ✓ **Abandonment Deductions - \$90,000**
- ✓ **Post-Tax Benefits** based on a 35% tax rate =  
(\$150,000 at 35%) = **\$52,500**
- ✓ **Net Relamping Cost** = (\$150,000 less  
rebate and tax benefits) = **\$31,500**



## LIGHTING & HVAC UPGRADE!

- 440,000 s.f facility
- Project Cost: \$1,111,000
- 179D deduction @\$1.20/S.F.: \$528,000
- Age of systems: Lighting 8 years, HVAC 15 years
- Abandonment deduction of replaced systems: \$362,000
- Pre-tax total deductions: \$890,000
- Post tax total deduction at 35%: \$311,500
- 179D + Abandonment net benefits = 28% reduction of total project cost



## Energy Policy Act of 2005

- Congress passed legislation in August of 2005 to encourage property owners to build energy efficient properties to promote reduction in energy consumption. Service dates were from **1/1/06** through 12/31/08.
- The Economic Recovery and Stabilization Act of 2008 extends the benefits of the Energy Policy Act of 2005 through **end of 2013**, and allows designers of public buildings to take deduction—thank you, AIA!
- The **179D** ruling allows up to a **\$1.80 per sq. ft. tax deduction**
- IRS requires energy modeling and third party certification for 179D deduction to be claimed



## What projects qualify?

- US Commercial Buildings, MF > 3 stories, parking garages*
- Certificate of Occupancy between 1/1/06 and 12/31/13*
- Buildings owned by private or public entity*
- ESCO owned projects in non-profit buildings*
- New construction, gut rehab, HVAC replacement, interior lighting upgrades, envelope upgrades*

*Projects may have any combination of these three:*

- Interior Lighting*
- HVAC & Hot Water*
- Envelope*



## Who can take the deduction?

- **Private buildings:** owners or tenants, whoever paid for the construction.

*-Deduction may not exceed net project costs*

*-For projects completed 2006-2013*

*-Past years' taxes need not be amended*

*-Can be carried forward 15 years*





## Who else can claim the deduction?

- **Public buildings: The designer(s)!**
- the IRS allows the deduction to be allocated to the “*person primarily*” responsible for designing systems in lieu of the public entity, or, at the owner’s discretion, allocated among several Designers
- **IRS:** “architect, engineer, contractor, environmental consultant or energy services provider who creates the technical specifications” may claim deduction"
  - project costs don't affect deduction amount*
  - projects completed ~2008-2013*
  - Can be carried forward 15 years*



## Best projects for 179D!




- 25,000+ sqft if only lighting or HVAC upgrade
- 20,000+ sqft new construction or gut Rehab

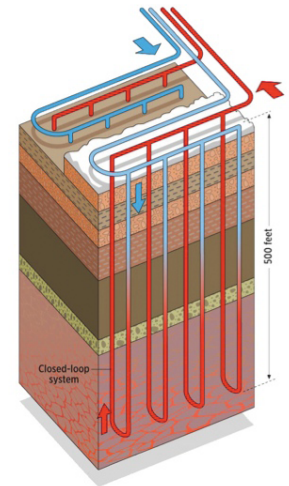
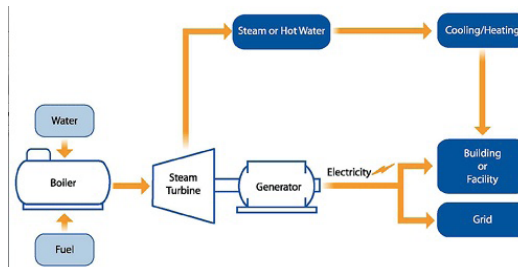
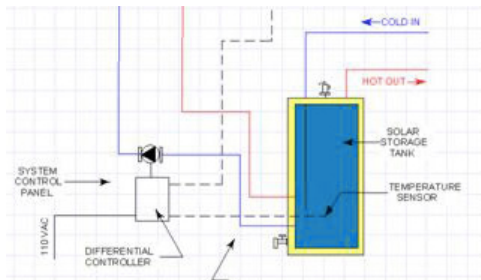


- Offices, retail, schools, warehouses, MF; facilities with intensive HVAC requirements are a challenge



# What doesn't count for 179D

-  PV or wind
-  Plug loads
-  Process loads ”
- ✓ solar thermal, CHP and ground Source heat pumps do qualify



## Two Ways To Qualify Under 179D

### 1st - Using the “*Whole Building Approach*”

*For new construction or gut rehabs*

Get the full **\$1.80** per square foot for projects that “reduce the total annual energy and power costs with respect to combined usage of the building's heating, cooling, ventilation, hot water, and interior lighting systems by 50 percent or more as compared to a Reference Building that meets the minimum requirements of ASHRAE Standard 90.1-2001”



## 2nd - Qualifying Partial Building Systems for individual system upgrades



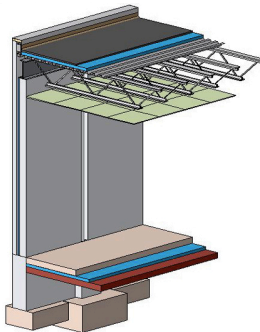
- **Lighting:** up to **\$.60 per sqft**

*interior only; bi-level switching may be required; ballasts must be replaced; meet watts/sqft by building type*



- **HVAC & Hot Water**

*systems up to **\$.60 per sqft***



- **Building Envelope**

*up to **\$.60 per sqft***

# Case Studies: 179D Energy Tax Benefits

## Private Building Owner Benefits

Hilton



Systems	2009 Tax Benefit
Lighting	\$596,909.50
Building Envelope	\$716,291.40
<b>TOTAL TAX BENEFIT 2009</b>	<b>\$1,313,200.90</b>

Boca Village



Systems	2008 Tax Benefit
HVAC	\$64,174.20
Lighting	\$64,174.20
Building Envelope	\$132,132.00
<b>TOTAL TAX BENEFIT 2008</b>	<b>\$260,480.40</b>

## Architect Benefits



Year	Tax Benefit
2006	\$341,547.00
2007	\$375,731.60
2008	\$346,983.10
<b>TOTAL TAX BENEFIT</b>	<b>\$1,064,261.70</b>



Year	Tax Benefit
2006	\$165,706.80
2007	\$150,414.60
2008	\$95,118.00
2009	\$415,270.80
<b>TOTAL TAX BENEFIT</b>	<b>\$826,510.20</b>





## Case Study: Nissan Dealership

- **\$35,000+** 179D Energy Tax Deduction
- **\$640,000+** Additional Cost Segregation Tax Benefit



## Process of claiming 179D deduction

- Review basic building info including location, SQFT
- Prepare (complementary) Cost Benefit
- Our Affiliated accountants may review benefit with your accountant
- Collect building plans and specs from client
- Complete energy modeling and benefit calculation
- Schedule site visit as required by IRS
- Public owner sign IRS allocation form
- Produce certification report to file if audited by IRS
- Complete process takes 30-45 days





# IRS GUIDELINES FOR 179D

## **CERTIFICATION MUST INCLUDE:**

- Statement regarding the energy efficiency of the building (Lighting, HVAC and/or hot water system, Envelope)
- Statement that the reduction has been determined under the Rules of Notice 2006-52
- Statement that field inspections have been performed verifying the energy-saving assets
- Statement that approved software has used for calculations
- A list of qualifying assets and projected annual energy costs
- Completed by a ***Qualified, Independent 3rd Party***
  - Properly licensed engineer or contractor with accounting and IRS experience
  - Not a related Individual or Entity—no subsidiaries
  - Written statement of qualification to taxpayer



## Recap: IRC179D

*For Commercial Buildings 2006-2013 (New Buildings & Renovations)*

- *Private Buildings (Benefits - Owner / Tenant)*

- *Public Buildings (Benefits - Architect/ Engineer / Contractor)*

- *Lighting | HVAC | Envelope*

*\$.60          \$.60          \$.60 =          \$1.80 per SQFT*

***100k SQFT = \$180,000***

- *Model vs. ASHRAE 2001 90.1*

- *Business Development Strategy (Value-Added Info)*





## IRS NOTICES ON 179D!



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

<http://www.irs.gov/pub/irs-drop/n-08-40.pdf>

[http://www.irs.gov/irb/2011-04\\_IRB/ar08.html#d0e4660](http://www.irs.gov/irb/2011-04_IRB/ar08.html#d0e4660)

