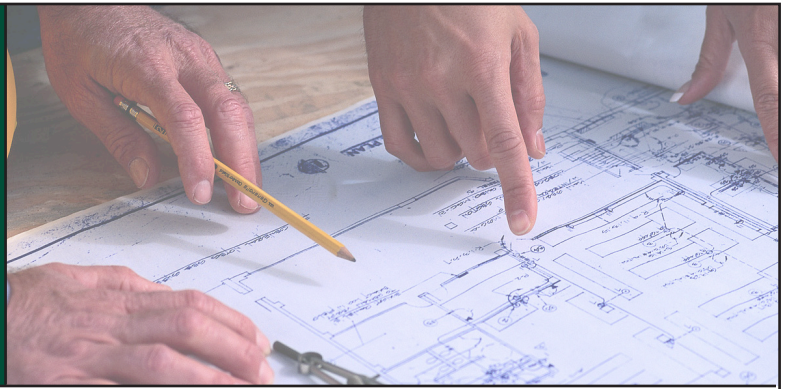


# 179D

## Energy Policy Act (EPAAct) of 2005



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### 179D EPAAct Tax Deduction

179D allows tax payers to deduct the cost of energy efficient property installed in commercial buildings. The maximum deduction allowed is **\$1.80/ sq ft** for a building exceeding the ASHRAE 90.1 standards for lighting, HVAC, and building envelope. The tax deduction allows for up to \$0.60/ sq ft for each system separately.

Deductions are available to owners of private projects or designers of public projects for reducing the energy use of commercial buildings 50% over the ASHRAE standard.

#### Federal Section 179D:

- » Encourages private building owners to invest in energy efficient buildings and systems.
- » Encourages energy efficient design of government owned facilities by allowing for the allocation of the deduction to the designer.
- » **Provides tax deductions (not tax credits) for:**
  - New construction
  - Remodels, upgrades, and expansions of existing buildings
  - Tenant owned leasehold improvements
  - Eligible projects "placed in service" during 2006 through 2013.

#### Three levels of 179D qualifications:

**Level 1:** To qualify for \$0.30 - \$0.60 deduction, an energy improvement must be made in one of the three areas and improve the energy use by 25% - 40% or more.

**Level 2:** To qualify for \$1.20 deduction, an energy improvement must be made in two of the three areas and improve the energy use by an aggregate of 33-1/3% or more.

**Level 3:** To qualify for \$1.80 deduction, an energy improvement must be made in all three areas and improve the energy use by an aggregate of 50% or more.

Square Footage	Lighting Minimum Deduction \$0.30/sqft	Lighting Maximum Deduction \$0.60/sqft	HVAC Maximum Deduction \$0.60/sqft	Building Envelope Maximum Deduction \$0.60/sqft	Building Maximum Deduction \$1.80/sqft
75,000	\$22,500	\$45,000	\$45,000	\$45,000	\$135,000
100,000	\$30,000	\$60,000	\$60,000	\$60,000	\$180,000
250,000	\$75,000	\$150,000	\$150,000	\$150,000	\$450,000
500,000	\$150,000	\$300,000	\$300,000	\$300,000	\$900,000
1,000,000	\$300,000	\$600,000	\$600,000	\$600,000	\$1,800,000



## 179D for Architects

Design firms can benefit from the Energy Policy Act of 2005 with tax deductions allocated to properties designed for federal, state and local governments. These building types may include public schools, airports, parking garages, prisons and military bases.

Our comprehensive process identifies qualified energy-efficient components that may produce immediate tax deductions for architects and designers of government-owned buildings and for private owners of commercial buildings placed in service from January 1, 2006 to the end of 2013. We simplify the process so that we can maximize the benefit to your bottom line.

In the last two years alone, EDSS generated over **\$200 Million** in tax deductions and rebates for their clients.



### Change In Accounting Method Approved For 179D Deduction

On January 10, 2011 the IRS released Rev Proc 2011-14 which allows the 179D deduction to be taken via IRS Form **3115** Change in Accounting Method in current tax year even for past year projects, rather than amending previous years tax returns.

#### Who qualifies?

Taxpayers who have had energy efficient buildings built, architects & designers.

#### What tax years are applicable?

The IRS Form 3115 Change in Accounting Method can be used for the 179D tax deduction in previous tax years, from 2006 forward through 2013.

\*Architect may or may not be eligible.

## Typical Savings Analysis

SMALL RETAILER	2008	2009	2010	TOTAL
Number of Qualified Stores Opened (5000 sq. ft.)	25	25	25	75
Square Footage of Project	125,000	125,000	125,000	375,000
179D Deduction (\$1.80/ sq ft maximum deduction)	\$225,000	\$225,000	\$225,000	\$675,000
Net Benefit of 179D Project	\$207,500	\$207,500	\$207,500	\$622,500
Other Incentives Estimate- [State Credits, Local Incentives, and Utility Rebates]	\$ 150,000			
<b>Total Maximum Benefit</b>	<b>\$ 772,500</b>			

MEDIUM RETAILER	2008	2009	2010	TOTAL
Number of Qualified Stores Opened (25,000 sq. ft.)	25	25	25	75
Square Footage of Project	625,000	625,000	625,000	1,875,000
179D Deduction (\$1.80/ sq ft maximum deduction)	\$1,125,000	\$1,125,000	\$1,125,000	\$3,375,000
Net Benefit of 179D Project	\$1,037,500	\$1,037,500	\$1,037,500	\$3,112,500
Other Incentives Estimate- [State Credits, Local Incentives, and Utility Rebates]	\$ 500,000			
<b>Total Maximum Benefit</b>	<b>\$ 3,612,500</b>			

LARGE RETAILER	2008	2009	2010	TOTAL
Number of Qualified Stores Opened (70,000 sq. ft.)	25	25	25	75
Square Footage of Project	1,750,000	1,750,000	1,750,000	5,250,000
179D Deduction (\$1.80/ sq ft maximum deduction)	\$3,150,000	\$3,150,000	\$3,150,000	\$9,450,000
Net Benefit of 179D Project	\$2,905,000	\$2,905,000	\$2,905,000	\$8,715,000
Other Incentives Estimate- [State Credits, Local Incentives, and Utility Rebates]	\$ 750,000			
<b>Total Maximum Benefit</b>	<b>\$ 9,465,000</b>			

EXTRA LARGE RETAILER	2008	2009	2010	TOTAL
Number of Qualified Stores Opened (100,000 sq. ft.)	25	25	25	75
Square Footage of Project	2,500,000	2,500,000	2,500,000	7,500,000
179D Deduction (\$1.80/ sq ft maximum deduction)	\$4,500,000	\$4,500,000	\$4,500,000	\$13,500,000
Net Benefit of 179D Project	\$4,150,000	\$4,150,000	\$4,150,000	\$12,450,000
Other Incentives Estimate- [State Credits, Local Incentives, and Utility Rebates]	\$ 1,000,000			
<b>Total Maximum Benefit</b>	<b>\$ 13,450,000</b>			