

ANDERS REAL ESTATE & CONSTRUCTION SERVICES

179D CHEAT SHEET

WHAT IS 179D? 179D is a provision in the tax code that allows for an accelerated tax deduction for installing energy efficient property in your building. There are three categories of property that qualify:

- Building Envelope
- HVAC/ Hot Water Systems
- Lighting Systems

HOW TO QUALIFY? To qualify, the installed systems above must increase energy efficiency of the building by 50% or more. Partial deductions are available for the following increases in energy efficiency:

- Building Envelope – 10%
- HVAC/Hot Water Systems – 15%
- Lighting Systems – 25%

HOW MUCH IS THE DEDUCTION? There are two types of deductions, partial and full.

- Partial Deduction - The deduction available is up to \$.60 per square foot.
- Full Deduction - The deduction available is up to \$1.80 per square foot.

The deduction is limited to the total cost of the energy efficient property placed in service. Any remaining cost is depreciated over the useful life of the asset.

WHO GETS THE DEDUCTION? The commercial building owner at the time of the building improvements takes the tax deduction on the company's tax return.

If the building is government owned, the building owner may allocate the deduction to the primary designer, including the architect, engineer, contractor, environmental consultant, etc. The deduction can also be split among multiple designers, with the designers then taking the tax deduction on their company's tax return.

WHAT IS NEEDED TO DETERMINE ELIGIBILITY?

- Current set of architectural plans, if available
- Energy compliance documents for the lighting, HVAC, and/or building envelope