

# ENERGY EFFICIENCY STUDIES §45L AND §179D: PRE AND POST INFLATION REDUCTION ACT

## § 45L – PRE VS POST IRA

	§ 45L – PRE IRA	§ 45L – POST IRA
Effective Dates	<ul style="list-style-type: none"><li>• Dwelling Units leased/sold before 1/1/2023</li></ul>	<ul style="list-style-type: none"><li>• 1/1/2023-12/31/2032</li></ul>
Qualifying Criteria	<ul style="list-style-type: none"><li>• 50% savings compared to 2006 IECC standards; 10% savings from building envelope</li></ul>	<ul style="list-style-type: none"><li>• Energy Star</li><li>• Zero Energy Ready Home (ZERH)</li></ul>
Tax Credit per Unit	<ul style="list-style-type: none"><li>• \$2000</li></ul>	<ul style="list-style-type: none"><li>• \$500 or \$2,500 for Energy Star</li><li>• \$1,000 or \$5,000 for ZERH</li><li>• Lower tax credit of \$500 for Energy Star and \$1,000 for ZERH for multi-family projects that do not comply with prevailing wages</li></ul>
Prevailing Wage	<ul style="list-style-type: none"><li>• Not Required</li></ul>	<ul style="list-style-type: none"><li>• Required for Multifamily Projects</li><li>• Single Family Homes, Duplexes, and Townhomes are exempt</li></ul>
# of Stories	<ul style="list-style-type: none"><li>• Limited to 3 stories or less, above grade</li></ul>	<ul style="list-style-type: none"><li>• No limitation on the number of stories</li><li>• ZERH certification limited to 5 stories until 2023. No limitation on number of stories beginning of 2024</li></ul>

# § 179D – PRE VS POST IRA

PROVISION	PRE - IRA (EFFECTIVE FROM JAN. 1, 2006-DEC. 31, 2022)	POST - IRA (EFFECTIVE FROM JAN. 1, 2023)
Eligible Property Owners	<ul style="list-style-type: none"> <li>Commercial building owners</li> <li>Designers of buildings owned by government bodies.</li> <li>High-rise residential building owners (4 stories or higher)</li> </ul>	<ul style="list-style-type: none"> <li>Commercial building owners</li> <li>High-rise residential building owners (4 stories or higher)</li> <li>Designers of tax-exempt buildings owned by: <ul style="list-style-type: none"> <li>Tax-exempt K-12 schools &amp; universities</li> <li>Military organizations</li> <li>All religious organizations</li> <li>Native American Tribal organizations</li> </ul> </li> </ul>
Qualifying Criteria	<ul style="list-style-type: none"> <li><b>Full Building Qualification:</b> Minimum 50% savings achieved when proposed model compared to baseline model</li> <li><b>Partial System Qualification:</b> Lighting (25% savings), Building Envelope (10% savings), and HVAC System (15% savings)</li> <li><b>Interim Lighting Qualification:</b> Based on Lighting Power Density (LPD w/sqft) calculations</li> </ul>	<ul style="list-style-type: none"> <li><b>Full building:</b> Minimum 25% savings achieved to qualify for 179D deduction range. The deduction range is increased by \$0.10/sqft for every percentage increase in savings until 50% or higher energy savings have been achieved</li> <li><b>Alternative retrofit deduction:</b> Minimum 25% savings achieved using the established Retrofit Plan. Limited to buildings originally PIS at least 5 years before qualified retrofit plan has been established</li> </ul>
Prevailing Wage & Apprenticeship Requirements	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Prevailing wage &amp; apprenticeship requirements are required for bonus rate of deduction</li> </ul>
Deduction Range Summary	<ul style="list-style-type: none"> <li>\$0.60/sqft per partial system qualification (Lighting, Building Envelope and HVAC) up to \$1.80/sqft (Full building qualification)</li> </ul> <p>Plus, an inflation adjustment:</p> <ul style="list-style-type: none"> <li>2021 - \$0.61/sqft up to \$1.82/sqft</li> <li>2022 - \$0.63/sqft up to \$1.88/sqft</li> </ul>	<ul style="list-style-type: none"> <li><b>Regular Deduction</b> - Base Deduction in lieu of Regular Deduction: \$0.50/sqft with 25% energy savings and up to \$1.00/sqft for energy savings of 50% or higher</li> <li><b>Labor Standards</b> – Bonus Rate with prevailing wage and apprenticeship compliance instead of Labor Standards: \$2.50/sqft with 25% energy savings and up to \$5.00/sqft for energy savings of 50% or higher</li> <li><b>Inflation Adjustment for 2023 Projects</b> – Base deduction starts at \$0.54 cents for 25% energy savings, increased by \$0.02 per percentage point in increased savings, but not above \$1.07. For taxpayers that meet the prevailing wage and apprenticeship requirements, it starts at \$2.68 for 25% and increases \$0.11 per percentage point, but not above \$5.36</li> </ul>
Limitations	<ul style="list-style-type: none"> <li>Per-building lifetime cap of \$1.80/sqft (with inflation adjustment)</li> </ul>	<ul style="list-style-type: none"> <li>A cap of 179D deduction based on a three-year lookback (four years for designers)</li> </ul>
Energy Modeling Requirements	<ul style="list-style-type: none"> <li><b>Full Building qualification:</b> Baseline model adheres to ASHRAE 90.1-2007 standards. Proposed model is modeled as per actual building plans and schedules</li> <li><b>Partial system qualification:</b> Baseline model adheres to ASHRAE 90.1-2007 standards. Proposed model is modeled according to ASHRAE 90.1 – 2007 standards, except the qualifying system</li> </ul>	<ul style="list-style-type: none"> <li><b>Full building:</b> Baseline model adheres to ASHRAE 90.1-2007 standards. Proposed model is modeled as per actual building plans and schedules <ul style="list-style-type: none"> <li>For buildings PIS after 12/31/2026, ASHRAE 90.1 – 2019 standards will be used</li> </ul> </li> <li><b>Alternative retrofit deduction:</b> Retrofit baseline is building's own specific pre-retrofit Energy Usage Intensity (EUI). Post retrofit EUI is measured against pre-retrofit baseline level to determine percentage of savings after one year of installation</li> </ul>