

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

§ 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"> Commercial building owners Designers of buildings owned by government bodies. High-rise residential building owners (4 stories or higher) 	<ul style="list-style-type: none"> Commercial building owners High-rise residential building owners (4 stories or higher) Designers of tax-exempt buildings owned by: <ul style="list-style-type: none"> Tax-exempt K-12 schools & universities Military organizations All religious organizations Native American Tribal organizations
Qualifying Criteria	<ul style="list-style-type: none"> Full Building Qualification: Minimum 50% savings achieved when proposed model compared to baseline model Partial System Qualification: Lighting (25% savings), Building Envelope (10% savings), and HVAC System (15% savings) Interim Lighting Qualification: Based on Lighting Power Density (LPD w/sqft) calculations 	<ul style="list-style-type: none"> Full building: 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 Alternative retrofit deduction: 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
Prevailing Wage & Apprenticeship Requirements	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Prevailing wage & apprenticeship requirements are required for bonus rate of deduction
Deduction Range Summary	<ul style="list-style-type: none"> \$0.60/sqft per partial system qualification (Lighting, Building Envelope and HVAC) up to \$1.80/sqft (Full building qualification) <p>Plus, an inflation adjustment:</p> <ul style="list-style-type: none"> 2021 - \$0.61/sqft up to \$1.82/sqft 2022 - \$0.63/sqft up to \$1.88/sqft 	<ul style="list-style-type: none"> Regular Deduction - 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 Labor Standards – 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 Inflation Adjustment for 2023 Projects – 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
Limitations	<ul style="list-style-type: none"> Per-building lifetime cap of \$1.80/sqft (with inflation adjustment) 	<ul style="list-style-type: none"> A cap of 179D deduction based on a three-year lookback (four years for designers)
Energy Modeling Requirements	<ul style="list-style-type: none"> Full Building qualification: Baseline model adheres to ASHRAE 90.1-2007 standards. Proposed model is modeled as per actual building plans and schedules Partial system qualification: Baseline model adheres to ASHRAE 90.1-2007 standards. Proposed model is modeled according to ASHRAE 90.1 – 2007 standards, except the qualifying system 	<ul style="list-style-type: none"> Full building: 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"> For buildings PIS after 12/31/2026, ASHRAE 90.1 – 2019 standards will be used Alternative retrofit deduction: 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