

EPACT §179D TAX DEDUCTION

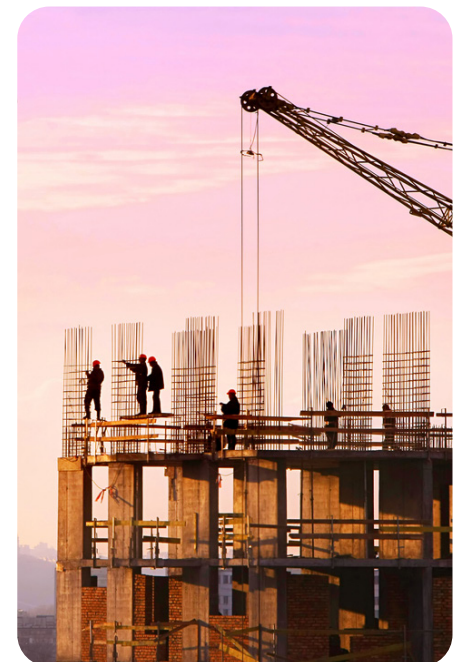
If your company owns or leases commercial buildings, and you have built, installed, or retrofitted the property to be more energy efficient, you may be eligible to deduct all or part of the costs associated with the construction, installation or retrofit.

In the case of energy-efficient commercial building property that is owned by a federal, state or local government, or a non-profit, the owner of the property may allocate the §179D deduction to the primary designer of the building. Buildings that are placed in service before January 1, 2023 are eligible for a tax deduction of up to \$1.88 per square foot for the installation of systems that reduce the total energy and power costs by 50 percent or more when compared to an ASHRAE standard reference building.

IMPACT OF INFLATION REDUCTION ACT ON EPACT §179D TAX DEDUCTION

New Construction and Addition Projects

- General effective date is for tax years beginning after 12/31/2022.
- Increase in deduction to **\$2.50 - 5.00/sq ft for 25% - 50%** energy savings that meet new prevailing wage and apprenticeship requirements. (An increase of \$0.10 in deduction per percentage increase from 25% to 50%).
- Deduction reduces to \$0.50 - 1.00/sq ft for 25% - 50% energy savings. (Increase of \$0.02 per percentage point) if the prevailing wage and apprenticeship requirements are not met.
- Inflation adjustment restarts in 2023.
- Designer allocation opened to all tax-exempt entities including Indian tribal governments, private colleges and universities.
- Reference Standard 90.1 is later of 2007 or most recent affirmed standard no later than 4 years prior to placed-in-service date.



RETROFIT PROJECTS

Alternative Deduction for Energy Efficient Building Retrofit Property

- Qualified retrofit effective date is for property placed into service after 12/31/2022.
- Alternative deduction for qualified retrofits of buildings in service at least five years.
- Retrofit plan is prepared by a licensed architect or engineer prior to the improvements being made.
- Unlike new construction projects, this will be compared to the building's EUI (Energy Use Intensity). Lighting, HVAC or building envelope improvements need a minimum of 25% reduction in EUI to qualify. A final certification will be issued a year after the retrofit property is installed.

DETERMINING USABILITY OF THE EPACT §179D DEDUCTION

- Must be paying federal income tax.
- For commercial and high-rise residential building owners, the 179D deduction can be claimed for projects placed in service after January 1, 2006, by filing a Form 3115.
- For qualifying design firms, the past three tax years' returns can be amended to claim the 179D deduction, potentially generating a refund from the IRS.

SELECTING PROJECTS: CRITERIA

- Includes new construction, renovations and additions

DEFINING THE COMPLIMENTARY ASSESSMENT THROUGH SOURCE ADVISORS

- Upload Architectural and MEP drawings and building specs to our team of engineers via our secure server.
- Completed estimate includes the amount of the potential tax deduction and the fee per square foot to certify the project.
- Complimentary service in drafting and obtaining the signed allocation forms for design firms.

