

# Since Sun-setting the Opportunity Still Remains for §179D deductions

The Energy Policy Act of 2005 (EPAAct) includes the §179D tax deduction for investments in “energy-efficient commercial building property” designed to significantly reduce the heating, cooling, water heating, and interior lighting energy cost of new or existing commercial buildings. This energy-efficient commercial building property incentive expired December 31, 2014, but is still available to “catch-up”:

## Section 179D EPAAct Overview

- The benefits are applicable to any project 1/1/2006 through 12/31/14
- Incentivized areas:
  - Lighting
  - HVAC
  - Building envelope or
  - Whole building
- Available for New Construction and Existing Buildings (retrofit)
- Also available for:
  - Tenant owned lease-hold improvements
  - “Primary Designers” of Government Buildings (All public facilities)

The maximum deduction is \$1.80 per square foot\*; however, within this deduction there are three potential subsystem deductions:

- HVAC and Hot Water Heater: \$0.60 per square foot
- Interior Lighting: \$0.60 per square foot
- Building envelope: \$0.60 per square foot
- Whole Building \$1.80 per square foot

Lighting – as a standalone – falls under the “Interim Rule for Lighting”:

- Lighting meets prescriptive watts per square foot
- Each Certification and Model is done on a space by space approach
- **BI-LEVEL SWITCHING IS MANDATORY**
- EXCLUSIONS: Lobbies, guest rooms, rest rooms, storerooms, and garages
- Equipment/assets installed as part of the interior lighting systems
- Sliding scale from \$.30/sq ft for 25% reduction up to \$.60/sq ft for 40% cash savings (50% for warehouse – no sliding scale) of the minimum requirements (ASHRAE 90.1-2001)
- Have controls in compliance



## §179D Federal Energy Tax Deductions

### CERTIFICATION FOR SECTION 179D

- Third – party certification
- Party “not-related” to taxpayer
- Approved software (by IRS) required

### Amending Tax Returns/Filing Change in Accounting Method

Deciding whether or not to amend returns or file for a Change in Accounting Method (Form 3115) is entirely dependent upon each taxpayer's situation. However, rulings have changed for small business. Pursuant to Revenue Procedure 2015-20 issued in February 2015, small business taxpayers are no longer required to file a Form 3115 to change methods of accounting. Small business taxpayers are defined as those with less than \$10 million in assets or less than \$10 million in annual revenue. Because this definition is disjunctive, some larger businesses may also qualify if they have over \$10 million in assets but under \$10 million in receipts, or vice versa. The new method established by Revenue Procedure 2015-20 is available on a prospective basis for the tax year beginning on or after January 1, 2014. Form 3115 remains optional for all taxpayers. After 2014 the process is a little bit more tedious.

Deciding whether or not to amend returns or file for a Change in Accounting Method (Form 3115) is entirely dependent upon each taxpayer's situation. If taxable income was higher in open years and therefore the taxpayer was in a higher tax bracket, it still may make sense to amend those returns. A thorough analysis of each taxpayer's scenario by an advisor experienced in §179D is advantageous to determining the best approach and claiming the maximum deduction allowed under the law.

At CRG, our only business is discovering, studying and applying the rules of play that may be applied with advantage to reduce costs and add profits. We are a national company with a presence in most states, where we work with professionals and their clients or directly with business owners/taxpayers. CRG is also fully qualified to provide the approved certification required for §179D tax deductions, as well as assuring that the process is conducted in accordance with IRS Guidelines.

CRG does not replace your current tax advisors -- we work with them, adding depth to their value to you. Our experts have a long record of successful dialog with the Treasury Department and IRS that stems from our expertise in the area of energy efficiency, and from our extensive support to tax advisors and CPA's in the cost segregation arena. We complement the expertise of your financial advisors with the necessary engineering, architectural, and legal professionals to take advantage of the intent of applicable legislation. We provide realistic approaches to tax reduction, tax credits and tax incentives.

Our services include:

- Energy (EPACT 2005) Certification and Review
- Cost Segregation
- Tax Incentives
- Education: On All of Our Areas of Expertise
- Approved Third Party Certification for §179D Tax Deductions

Our nationally experienced Team Leaders will evaluate your position, identify the opportunities most suited to it, analyze potential results, and then apply for and move forward with implementation.

Capital Review Group, Toll Free: 877.666.5539  
[www.capitalreviewgroup.com](http://www.capitalreviewgroup.com)

