

# Section 179D Tax Deduction for Energy Efficiency Made Permanent

## WHAT IS THE 179D TAX DEDUCTION?

Section 179D has been in effect since 2006 and it was recently made permanent by legislation passed in 2020 under the Consolidated Appropriations Act of 2021. Internal Revenue Code Section 179D allows a deduction of up to \$1.80 per square foot for energy-efficient commercial building properties (EECBP), including interior lighting, building envelope, and mechanical systems.

## HOW MUCH IS THE 179D TAX DEDUCTION WORTH?

Originally designed with \$1.80 per square foot max (*inflation adjusted*) one-time use, the permanent version offers eligible projects up to \$5.00 per square foot deduction with the option to reapply every 3 years.

**Recent Retrofit Project: 50,720 sqft**  
**\$1.3mm Total Budget**  
 -HVAC  
 -Lighting Upgrade  
 -Roofing Envelope

**179D Tax Deduction: \$253,600 (\$5.00/sqft)**

PROVISION	PREVIOUS IRC SECTION 179D <i>Effective 1/1/2006-12/31/2022</i>	NEW IRC SECTION 179D <i>Effective 1/1/2023 -&gt;</i>	Efficiency Gain Over Baseline	Deduction Amount "Base Rate"	Labor Multiplier "Bonus Rate"
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Commercial building owners</li> <li>Designers of Buildings</li> <li>REITS</li> <li>Multi-Family (4+ stories)</li> </ul>	<ul style="list-style-type: none"> <li>Commercial building owners</li> <li>Designers of Buildings</li> <li>REITS</li> <li>Multi-Family (4+ stories)</li> </ul>	25%-29%	\$ .50-\$.58	\$2.50-\$2.90
			30%-34%	\$ .60-\$.68	\$3.00-\$3.40
			35%-39%	\$ .70-\$.78	\$3.50-\$3.90
<b>Tax Deduction Range</b>	\$ .60 - \$1.80 sqft	Base Deduction: \$.50-\$1.00 With Wage Multiplier: \$2.50-\$5.00 sqft	40%-44%	\$ .80-\$.88	\$4.00-\$4.40
<b>Wage Multiplier (5x)</b>	n/a	<ul style="list-style-type: none"> <li>Local prevailing wage</li> <li>Apprenticeship labor of 15%</li> </ul>	45%-49%	\$ .90-\$.98	\$4.50-\$4.90
			50%	\$1.00	\$5.00
<b>Exemptions</b>	Any project completed before 2005 or after 12/31/2022	Any project in construction prior to 1/29/2023 is exempt from the prevailing wage 5x multiplier			
<b>Eligible Projects</b>	<ul style="list-style-type: none"> <li>Interior Lighting</li> <li>HVAC &amp; Hot Water Systems</li> <li>Envelope (roof, walls, windows)</li> </ul>	<ul style="list-style-type: none"> <li>Interior Lighting</li> <li>HVAC &amp; Hot Water Systems</li> <li>Envelope (roof, walls, windows)</li> </ul>			
<b>Technical Requirements</b>	ASHRAE 90.1-2007	ASHRAE 90.1-2007			
<b>Deduction Cap</b>	Life-time cap of \$1.80/sqft w/ inflation adjustment	Building can re-apply every 3-years			

**Now available to non-taxable entity project "designers" as a pass-through benefit.**

## HOW IS THE 179D TAX DEDUCTION OBTAINED?

The basis for developing and supporting this deduction is a detailed engineering analysis, as prescribed by the IRS code. To claim the 179D tax deduction, energy savings must be certified by an unrelated "qualified individual and submitted to using energy modeling software approved by the DOE. In addition to energy simulation modeling or lighting density calculations, our program meets all requirements of the tax code.

- REQUIRED SUBMITTALS**
- Architecture Drawings
  - Mechanical Drawings (if HVAC)
  - Electrical Drawings (if Lighting)
  - Building R-Values & U-Values
  - If available, COMcheck Report

To learn more or to see if your current or past project qualifies, please email [179D@c5energypartners.com](mailto:179D@c5energypartners.com)