

# A Renewed Opportunity Exists for Claiming the §179D Deduction

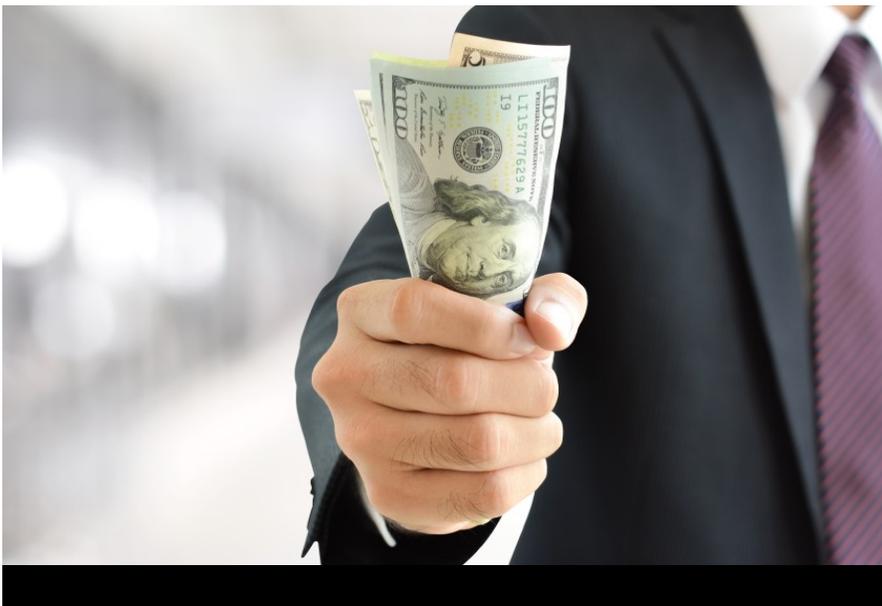
2016

## Energy Efficiency and Claiming the §179D Deduction as Far Back as 1/1/2006

The Energy Policy Act of 2005 (“EPAct”) 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. After expiring on December 31, 2014, this energy-efficient commercial building property incentive was renewed for two years as part of the Protecting Americans from Tax Hikes (PATH) Act of 2015. **As a result, it is currently available for projects completed during the 2015 and 2016 tax years.**

**ASHRAE Standard 90.1-2001 applies to projects completed during 2015 and the newer, more stringent ASHRAE Standard 90.1-2007 will apply to projects completed during 2016.**

The Protecting Americans from Tax Hikes (PATH) Act of 2015 now allows for §179D deductions for projects completed during the 2015 and 2016 tax years.



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# Summary of §179D

## Section 179D “EPAct” Overview

- The benefits are applicable to any project 1/1/2006\* through 12/31/16  
\*Private owners may apply §179D for projects as far back as 1/1/2006.  
Primary designers may only use the deduction for “open” tax years.
- **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: up to \$0.60 per square foot
- Interior Lighting: up to \$0.60 per square foot
- Building envelope: up to \$0.60 per square foot
- Whole Building: up to \$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 may be done either space by space or by property type/usage
- **BI-LEVEL SWITCHING IS MANDATORY**
  - EXCLUSIONS: Lobbies, guest rooms, restrooms, storerooms, garages, and 24-hour facilities
- 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 for projects completed in 2015 or earlier; ASHRAE 90.1-2007 for projects completed in 2016)
- Have controls in compliance

## CERTIFICATION FOR SECTION 179D

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

## §179D

### 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.

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 CPAs 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 (“EPAAct” 2005) Certification and Review
- Tax Incentives, including:
  - Research and Development (R&D) Tax Credit
  - Work Opportunity Tax Credit (WOTC)
  - Cost Segregation
  - Sales and Use Tax Review
  - 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 does not advise on any personal income tax requirements or issues. Use of any information from this document or web site referred to is for general information only and does not represent personal tax advice either express or implied. You are encouraged to seek professional tax advice for personal income tax questions and assistance.

**Do your projects  
qualify for  
§179D?**

**Find out today  
with a pro bono  
analysis**

## **Contact Us**

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