

# IRC 179D ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION



Many companies face the challenge of managing operational costs for buildings in the selection of energy efficient components over traditional building materials. IRC Section 179D provides tax deductions for certain energy efficient building expenditures, including retrofits. Companies that own or lease commercial buildings and certain residential buildings and choose to install energy-efficient lighting, building envelope and HVAC property may be eligible to immediately deduct part or all of the costs associated with these assets.

IRC Section 179D, originally enacted as part of the Energy Policy Act of 2005 and made permanent and enhanced under the Inflation Reduction Act of 2022, provides a maximum deduction of \$5.00 (adjusted annually for inflation) per square foot for tax years beginning after December 31, 2022. Additionally, government, tax-exempt and Indian tribal nation entities who own energy efficient buildings can allocate the deduction to the architects, engineers, contractors, environmental consultants and energy services providers who are responsible for its design and technical specifications.

## KEY CONTACTS:

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## WEAVER CAN HELP

Our multi-disciplinary team of tax professionals offers experience in engineering, architecture, construction and valuation. We help companies determine whether assets qualify as energy efficient property and meet the certification requirements, and we calculate the energy and power efficiency reductions for purposes of claiming the deduction under §179D. Our team also assists clients in making the determination to pursue other energy related tax credits and incentives when applicable.

## POTENTIAL QUALIFYING BUILDING COMPONENTS FOR THE 179D DEDUCTION

- ▶ **Windows, dressings or skylights:** Is it new? If so, it may be energy efficient.
- ▶ **Lighting:** Does your building use fluorescent and halogen bulbs instead of incandescent?
- ▶ **Lighting retrofits:** Have you replaced lighting systems or bulbs?
- ▶ **Insulation:** Have you added or replaced insulation?
- ▶ **Building envelope:** Has your building recently been remodeled with new windows and doors?
- ▶ **Heating, ventilation and air conditioning:** Are you replacing or retrofitting your HVAC system?