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By Jennifer Kohlhepp

EPAct 179D Tax Deduction Now Permanent: Here's How to Take Advantage

Don't leave money on the table. Energy Policy Act (EPAct) 179D tax deductions are available for both buyers and sellers of energy-efficient lighting and controls.

On Dec. 27, 2020, the Consolidated Appropriations Act was signed into law, which included making the EPAct 179D tax deduction permanent. EPAct 179D is an immediate tax deduction for lighting, HVAC and building envelope installations completed in commercial buildings since Jan. 1, 2006.

The EPAct 179D deduction is up to \$1.80 per square foot (set to increase annually with inflation starting in 2021), and qualifying buildings must be more efficient than standards set by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) by specified levels.

"Purchasers of energy-efficient lighting and lighting controls are able to utilize the EPAct 179D tax deduction for projects that hit the required efficiency levels," said Charles R. Goulding, attorney/CPA, president, Energy Tax Savers®. "To maximize the deduction, end users should combine energy-efficient lighting and HVAC to reduce overall building energy usage."

In order to take advantage of the EPAct 179D deduction, lighting calculations and an energy model are required to show the building's energy savings as compared to the prescribed ASHRAE

90.1 standard. In order to qualify for the maximum deduction, the building's overall energy usage must be 50% more efficient than the ASHRAE 90.1 standard, with lower tax deduction levels available if the 50% hurdle is not met.

In addition to commercial building owners, designers of government buildings (federal, state and municipal) are able to utilize the EPAct 179D deduction.

"Since the enactment of 179D, our firm has performed studies for approximately 20,000 buildings, and roughly 13,000 of them have been government building designer projects," Goulding said. "Distributors involved in government building projects should understand that the government building designer tax incentive can be very significant and distributors with design capability can themselves be the beneficiary of this incentive."

There is a wide range of government buildings that are eligible under this incentive, including:

Electrical distributors can help their customers obtain the EPAct 179D tax deduction by:

- Recommending lighting designs that meet the EPAct 179D efficiency requirements.
- Making customers aware that tax benefits are available for efficient designs.
- Referring customers to EPAct 179D service providers, who can help to provide the required calculations, energy modeling and supporting documents.

Electrical distributors can take advantage of EPAct 179D tax deductions in a variety of ways. Consider the following:

- A regional lighting distributor included Energy Policy Act (EPAct) 179D into customer proposals, helping it sell lighting to numerous end users, including warehouse owners, manufacturing facility owners and sports arena owners.

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Charles R. Goulding,
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Energy Tax Savers®



Raymond Kumar,
CPA, tax manager,
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- A national distributor recently began to utilize EAct 179D for its own distribution facilities. The first two facilities evaluated (1.5 million square feet each) qualified for the maximum \$1.80 per square foot deduction,

amounting to a deduction of \$2.7 million for each facility.

- A Fortune 500 lighting manufacturer and distributor qualified for an EAct 179D deduction of approximately \$1.4 million for

their LED lighting supply and design at one of the largest airports in the country.

For more information, visit energytaxsavers.com.



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