



Commercial Buildings Tax Deduction

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Energy Policy Act of 2005 Provision

- Section 1331 provides for \$1.80 per square foot *deduction* for buildings designed for 50% less energy cost than a building designed to ASHRAE/IESNA Standard 90.1-2001
- The asset *owner* (typically the building owner) gets the deduction when the asset is placed in service
- The deduction is allowable for assets placed in service from 1/1/06 until 12/31/07
- Federal, state, and local government owned assets can also qualify—the person primarily responsible for the design gets the deduction

EPAct 2005 System Deduction

- Provides for partial deduction for 3 major systems (lighting, HVAC, building envelope) that correspond to 50% reduction in overall energy use
- DOE and IRS to issue regulations on what system energy savings target corresponds to a building 50% under ASHRAE 90.1-2001 for a \$0.60 per square foot system deduction
- Until such time that regulations are issued, lighting gets \$0.60/sqft for 40% reduction or \$0.30/sqft for 25% reduction in lighting power while maintaining lighting levels and including the controls specified in EPAct 2005 (ASHRAE + bi-level switching). Savings from 25% to 40% are given \$0.30 to \$0.60 by straight line interpolation

Why Lighting?

- 💡 50% of the electricity use in existing commercial buildings is for lighting; 30% in new commercial buildings
- 💡 Efficient lighting reduces also HVAC load
- 💡 New “state of the art” lighting products can reduce energy use substantially, but these technologies are not being widely deployed
- 💡 Lighting retrofits can be implemented relatively quickly and lighting can be redesigned relatively late in the construction of new buildings

NEMA/NRDC “Free Rider” Assessments

- 💡 We have analyzed California new buildings data and very few buildings, even there, are achieving the 25% lighting power reductions from 90.1-2001, and essentially none comply with the controls requirements for the deduction;
- 💡 None of the new building energy efficiency standards (90.1-2004, California Title 24 2005, IECC 2003) include all provisions required for the tax deduction; and
- 💡 New energy efficiency standards take years to get implemented through state building codes and for many states never get implemented

Tax Rule Schedule

- 💡 IRS “Notice” to be done mid-February 2006—to include self certification concept for design, software, inspection
- 💡 “Regulation” to be done later in 2006 to include detailed rules including the government buildings rules
- 💡 “Certified” software likely to be available 60 days after “Notice”
- 💡 Interim lighting rules enable work to be done before regulations done



Contact Information

- 💡 www.nema.org for general NEMA information plus information on the Energy Policy Act of 2005 may be found through the links on the lower right hand corner
- 💡 www.efficientbuildings.org contains extensive information on the Commercial Buildings Tax Deduction including FAQs