



Revisions to the Energy Efficient Commercial Buildings Deduction (179D)

- The Inflation Reduction Act will change the Energy Efficient Commercial Buildings Deduction (179D) starting in 2023.
- 179D is a tax deduction that building owners can take when they show an energy savings on new construction and energy retrofits. The deduction is a dollar amount per square foot on the building.
- The old rule allowed \$0.63 per square foot for a partial deduction or \$1.88 per square foot for the maximum deduction.
- The base deduction now is a sliding scale of \$0.50 per square foot (25% energy savings) up to \$1.00 per square foot (50% energy savings).
- There is now a 5X multiplier if the energy efficiency work is performed with prevailing wage and registered apprenticeship programs.
- This new multiplier would bring a 25% energy savings up to a \$2.50 per square foot deduction and a 50% energy savings up to \$5.00 per square foot.
- This takes the maximum deduction up from \$1.88 per square foot up to \$5.00 per square foot but only if the work is performed using prevailing wages and registered apprenticeship programs.
- Tax exempt owners can assign the deduction to the designer of the EECBP (Energy Efficient Commercial Building Property).
- EECBP refers to the work, product, or improvement that brings the energy savings.
- The EECBP can be Interior lighting systems, HVAC/hot water systems and building envelopes.
- Speak to your tax professional to ensure you are getting the most out of your energy efficient construction and retrofits.