

CONSTRUCTION TODAY

Build Green, Earn Green

BY LINDA MCCLUSKEY, alliantgroup Managing Director of Energy Credits and Incentives,
and ANDY GERSTENHABER, alliantgroup Director of Energy Credits and Incentives

Going “green” is a lot easier and more commonplace than you might think.

According to the **U.S. Green Building Council**, green buildings account for more than one-third of all non-residential design and construction and will grow to more than one-half of all construction within the next five years. The council projects that by 2015, an estimated 40 to 48 percent of new non-residential construction by value will be green.

Green design and construction has become so common that many businesses are unaware that they actually do it – let alone take advantage of all its benefits. For designers and construction companies performing work for federal, state or local institutions, there is a very good chance that the work they perform on a daily basis could save them hundreds of thousands of tax dollars – and it’s all thanks to one overlooked green initiative.

The Energy Efficient Commercial Building Deduction, better known as **Section 179D** of the tax code, benefits architects, engineers, contractors and other commercial builders when they renovate or create energy-efficient buildings for the government. Passed by Congress as part of the **2005 Energy Policy Act**, under Section 179D, **any business performing these services on buildings at the federal, state and local levels can receive a tax deduction of up to \$1.80 per square foot**, an obvious financial boon depending on the size and scope of the project.

For projects spanning a two year period, **one of our mechanical contracting clients received \$967,321 in federal tax deductions**. Could your firm use almost \$ 1 million in tax savings? Then read on.

Qualifying for 179D

The definition of what constitutes a building under 179D is very broad and includes a variety of structures such as **office buildings, factories, warehouses, parking garages, schools, universities, airports** – basically any structure that is built for any level of government.

The tax code allows an architecture firm, engineering firm or contractor to benefit from 179D for any government buildings they designed (or retrofits) that have been placed into service in the last three years.

When people think of green technologies, we typically think of windmills in the field or solar panels on the roof. With regards to 179D, however, even the simplest eco-friendly changes count and can be lucrative.

To be eligible for 179D, you only need to surpass **2001 ASHRAE** standards, which most state codes already surpass. The deduction covers improvements and renovations made to **interior lighting, heating, ventilation and air conditioning (HVAC), hot water systems or enhancements to a building's envelope**. In addition, all of these systems can either separately qualify or partially qualify the building.

Although windmills and solar panels are nice, you don't need them to qualify for 179D.

Steps to Ensure Eligibility

As mentioned before, Congress originally passed 179D to encourage energy efficiency in commercial and government buildings. Recognizing that government entities are non-taxpaying entities, Congress allows governmental entities to allocate the tax deductions of the energy-efficient green building to the designer or builder. This transfer of the tax benefits is accomplished through a specific **"allocation letter"** signed by the government entity.

Getting the allocation letter from the government is often the most time consuming part of the 179D process. Because we assist our architects, engineers and contractors with every aspect of qualifying for 179D, we have an entire team solely focused on obtaining the allocation letters.

Also, not only do you need the allocation letter, but acting with urgency is critical because, for the majority of government entities, **179D is a first-come, first-served proposition**.

Trust but Verify

179D is a trust-but-verify tax provision, meaning that the IRS code requires that an independent firm review the building to confirm the energy savings and the potential tax deduction.

While these steps may appear complicated, in our experience the reality on the ground is far simpler. In practice, a simple, short phone call with an architecture or engineering consultant can cut through several steps and give a good sense of what buildings can be considered, whether a project is 179D eligible and whether it makes sense from a tax perspective for the company.

Make sure you are taking advantage of every tax benefit coming your way. **With Section 179D, architects, engineers, contractors and other commercial builders making even the simplest of energy-efficient changes could be in line for tax savings large enough to grow and revitalize their business.**



Linda McCluskey is the Managing Director of Energy Credits and Incentives for alliantgroup as well as a member of AIA and The Green Building Council. She is also a published author of numerous articles and a sought after speaker on topics relating to energy incentives. Linda is instrumental in helping hundreds of architecture, engineering and contracting firms claim valuable energy deductions that help them remain competitive.



Andy Gerstenhaber is a Director of Energy Credits and Incentives for alliantgroup as well as a member of the American Institute of Architects (AIA). He has been instrumental in helping hundreds of architecture, engineering and contracting firms claim valuable energy incentives through the 179D Energy Efficient Commercial Building Deduction. Andy received his Bachelor of Science in Regional Development from the University of Arizona, and enjoys educating small to mid-sized companies on the importance of claiming the 179D deduction. Andy is an integral part of the alliantgroup team, striving to help companies receive the full benefit of federal and state tax incentives aimed at creating jobs and spurring American innovation.