



Save Energy, Save Electricity, **SAVE MONEY**

How engineers can utilize the 179D deduction to strengthen the environment, the country, and their bottom line.

Today, many engineering firms are recognizing the need for energy efficient building, and as a result, taking a “green” approach to their designs. With nearly 50 percent of all energy consumed in the U.S. coming from the building sector, as well as nearly 75 percent of all electricity stemming from this source, green building will only gain support in Congress and become even more essential to the survival of our planet. The 179D deduction is available to engineers and is a great way to save money while maintaining an energy efficient mindset.

For example, an Oklahoma based engineering client secured \$725,000 in 179D tax deductions, generated from just five projects—including public schools, a government office building, and a public healthcare facility. With the major deductions offered through section 179, a modest portfolio can add up quickly. It’s critical to pursue the benefits of this deduction before deadlines and opportunities are missed.

In 2005, Congress passed a bill that gave engineers, architects, and design-build contractors the opportunity to receive invaluable tax incentives for green building. The Energy Policy Act of 2005 is significant not only because it encourages energy efficiency in the U.S., but because it is the only green building incentive targeted towards companies that do the actual design work of a building.

Through this incentive found in section 179D of the Internal Revenue Code, qualifying businesses can receive up to \$1.80 per square foot in deductions for eligible projects on new, renovated, or retrofitted buildings, placed into service any time since 2006. While the 179D deduction applies to building owners and lessees who make the required improvements to their commercial buildings, it should be of particular interest to the designers of government buildings. Since government entities do not pay taxes, they can transfer the deductions allocated from 179D to those who did the design work for the building in question.

179D Requirements

There are multiple methods to securing a deduction and different levels of deductions depending on the energy efficiency levels that your project meets. Energy and power reductions of as little as ten percent, in some cases, can result in very substantial savings. It’s critically important that engineers examine and exhaust all of the partial and fractional qualification methods in order to maximize your benefit. Examples of qualified work include energy efficient lighting, HVAC systems, hot water, or building envelope systems. Schools, universities, military bases, airports, post offices, and government offices are all eligible buildings when considering entitlement to this incentive. Most of the time, for the economics of 179D to

make sense, the building, (or collection of buildings, for example in an office park) should be greater than 50,000 square feet.

“What’s so fascinating about 179D is that it’s an incentive for a trend within the industry that almost all companies are already moving towards,” Dean Zerbe, alliantgroup National Managing Director and former Senior Tax Counsel to the Senate Finance Committee said. “It clearly makes sense to develop new environmentally friendly technology from both a financial aspect and to be more globally responsible. The government is keenly interested in these endeavors which is why they developed this deduction.”

This deduction is claimed on amended tax returns which are only typically open for three filing years after the date of original filing, so if you have worked on any public property in the past few years, you need to consider a 179D analysis. The sooner you claim this deduction the better. For current projects, there may be multiple designers who are eligible for the deduction, so being first to act can be the difference in securing a deduction verses being left out in the cold.

“At the end of the day, the 179D deduction has provided millions of dollars in tax benefits for business owners and engineering firms, as well as providing real assistance to local, state, and federal government, while helping lower energy costs, improve energy efficiency and the environment. Unfortunately, it is an incentive that many are overlooking,” Zerbe said.

Take full advantage and strengthen your bottom line

alliantgroup is the leading provider of specialty tax services that assists companies in claiming the many government endorsed tax incentives to which they are entitled. In tough economic times, alliantgroup aims to help clients obtain the maximum benefit from every deduction they are eligible to receive.

A mechanical engineering firm that recently worked with alliantgroup is another great example of major deductions available through 179D. The firm completed a student housing project in Louisiana involving a total of 92,000 square feet and qualified for the

deduction through the installation of an HVAC system, as well as energy efficient interior lighting. They received a 20.1 percent reduction in annual costs for the HVAC system and an 18.8 percent reduction for the lighting system, qualifying for a total deduction of \$110,573 with an estimated tax savings of \$38,700. Between 2010 and 2030, total building sector energy consumption in the United States is predicted to increase by about seven quadrillion Btu. One quadrillion Btu is the energy equivalent to 36 million tons of coal being burned at a power plant—obviously, this is not good news for our country. The Energy Policy Act of 2005 was created ensure our energy consumption was kept under control, and the 179D deduction is an available and proactive outlet for designers. The quantification and detailing of the value, and, of course, the proper substantiation for capturing the deduction requires a deep understanding of the Tax Code, the intent of the law, and an equally deep understanding of the industry being served. For this reason, alliantgroup exist to serve as the voice of small to medium-size businesses. Don't let the statute of limitations run out on completed projects, and ensure your firm is the first to claim the benefits of current ones. ***The time to act is now!***

SUCCESS STORIES

Mechanical Engineering Firm

ANNUAL REVENUE: **\$13** MILLION

*RESULT: **\$200,000** IN DEDUCTIONS



Electrical Engineering Firm

ANNUAL REVENUE: **\$24** MILLION

*RESULT: **\$660,000** IN DEDUCTIONS



Architecture/Engineering Firm

ANNUAL REVENUE: **\$36** MILLION

*RESULT: **\$1.7MILLION** IN DEDUCTIONS



alliantgroup is the nation's leading specialty tax services provider, working with CPAs and businesses to ensure companies receive the full benefit of available federal and state tax incentives aimed at creating jobs, spurring innovation, and growing the bottom line.

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