



The Green in Green

How schools and universities can promote a better economy and a greener tomorrow.

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One of the most dynamic and fastest growing sectors of our economy, the green building and design industry, has already played a vital role in spurring economic progress. A joint report from the U.S. Green Building Council and management consulting firm Booz Allen Hamilton indicates that the 2000-2008, green construction market generated \$173 billion in GDP, supporting 2.4 million American jobs. Projecting for the years 2009-2013, the same study estimates that an additional \$554 billion in GDP will have been created during these years, supporting 7.9 million American jobs.

This decade and a half of projected economic growth illustrates that creating a greener economy will be the key to creating a successful economy in the future.

And with a little help from our public schools and universities, Congress has already created a major means to push the budding green economy forward.

Section 179D: Saving Jobs and the Environment

Congress struggles to agree on much of anything these days, but they do deserve major credit for being ahead of the game on one key policy initiative—the Energy-Efficient Commercial Building Deduction—better known as Section 179D of the tax code.

When people think of energy overusage in this country, they genuinely picture smog-emitting factories or gas-guzzling vehicles. But according to the U.S. Green Building Council, 73% of U.S. electricity consumption and 40% of carbon emissions in this country actually come from end-user buildings. Clearly, if we improve our energy efficiency in this area, the nation will be taking a huge step forward in its conservation efforts, reducing our dependency on foreign oil. In 179D, Congress created a federal incentive to do just that.

Originally passed as part of the Energy Policy Act of 2005, 179D is a tax deduction benefiting companies that design or renovate energy-efficient buildings for the government. For energy-efficient enhancements made to a building's interior lighting, HVAC systems, hot water systems or to the building's envelope, a qualifying designer (meaning the architect, engineer, contractor or energy service provider responsible for making the energy-efficient improvements) can receive a tax deduction of up to \$1.80 per square foot.

Almost any structure built for any level of government (be it at the federal, state or local levels) can qualify for 179D, which is why universities and schools play a vital role in expanding the reach of this incentive.

How Schools and Universities Can Help

To benefit from their green designs, eligible designers need the help of the government entity that owns the building. As government entities do not pay tax, 179D allows the entity to "allocate" the tax deduction through the use of an allocation letter to the designer performing the energy-efficient work.

One of the biggest challenges for designers seeking to claim 179D is the allocation process itself. Most schools and universities are unfamiliar with 179D as a concept. In the rare instance the school allocating the savings has heard of 179D, they rarely know how to administer the process.

Thus, many schools and universities might be inclined to ignore 179D entirely. This would be a mistake, since through 179D, architecture, engineering and construction firms can find tax savings to enable major reinvestment back into their businesses, creating additional jobs for the graduates of those energy-efficient universities.

Not only does 179D create jobs, it creates the right kind of jobs; jobs that encourage conservation efforts. For instance, a Texas school district recently allocated the energy efficiency projects at more than one hundred plus schools, a move that will produce an estimated \$3 million in federal tax savings for a designer with employees whose families attend the school district. Supporting our communities and creating greener jobs—that is what 179D is all about.

Persevering Through the Paperwork

While the process of allocating the tax savings may seem overbearing at first, a workable plan can be both easy and manageable. And by taking advantage of 179D, the designer receives a potentially lucrative tax deduction and the school or university receives a free energy assessment.

Currently, the designers and educational institutions actively working together on 179D are seeing substantial results, both in terms of tax savings and promoting energy efficiency. At Auburn University, improving the interior lighting in a parking garage and the HVAC system in a dormitory earned one construction company over \$258,000 in federal tax deductions. Similarly, an architecture and engineering firm that made lighting and HVAC enhancements also received a deduction of \$239,089 for its projects at Auburn. This partnership also provided the university with a free energy study and highlighted an estimated energy cost savings of over \$1.5 million when compared to comparable energy costs from baseline energy codes. This is money saved all around that can be used to create jobs and stimulate local economies. The 179D deduction is proving that if designers and our educational institutions work together, they can continue to accomplish great things for our country.

“The 179D program is an important supporting element within our campus-wide conservation efforts,” said Jim Carroll, university architect at Auburn University’s facilities management. “By going through this process, Auburn University was able to document its energy savings and offer a potential tax deduction to designers and contractors. The process encouraged our teams to develop more sustainable design solutions, with the end result being a more energy-efficient campus.”

Saving the environment, stimulating the economy, creating jobs and improving the nation’s infrastructure along the way—any way you slice it, 179D is a winning proposition.



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