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Budget Bill: Tax Benefits for Architects, Engineers and Contractors—179D

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By Dean Zerbe, former Senior Counsel to the U.S. Senate Finance Committee and alliantgroup National Managing Director

Architects and engineers scored a big win in the tax reform bill when they were included in the Section 199A—20% deduction on income. Now in the just-passed budget bill—architects and engineers win again (as well as some contractors) with an extension of an important tax benefit—Section 179D—which rewards the design and building of energy efficient buildings (as well as modifications to existing buildings). I've written about this provision in detail in the past <https://www.forbes.com/sites/deanzerbe/2013/08/19/a-little-known-tax-break-for-building-green/#29ff81b9e4dc> for readers.

For architects, engineers and contractors it provides a deduction of up to \$1.80 per square foot for energy efficient design for government buildings—widely defined to include state, local and federal—think jails, parking garages, airports, etc.—as well as state colleges and universities. Congress recently required that to qualify for 179D, the building must surpass 2007 ASHRAE standards. The provision has been a win, win, win. A win for taxpayers enjoying lower energy costs at the state, local and federal government level, a win for designers being awarded for their work, and a win for the country—benefitting from greater energy independence, efficiency and conservation.

The statute is different in that it requires an independent verification of the energy savings. Our team at alliantgroup of lawyers, accountants, engineers and software experts have worked with scores of architect, engineering and construction companies across the country on certifying their government projects for

energy efficiency. The federal tax savings have been significant for these designers.

Section 179D had—along with a host of other energy provisions—been extended in the Path Act until the end of 2016. The outlook was very mixed about another extension—so it was extremely good news for designers that as part of the bigger budget that this provision along with other energy provisions was included and extended until 12/31/2017. Thanks especially to Senator Cardin D-MD as well as Congressmen Reed, R-NY, and DeFazio, D-OR, for making this happen. Designers should now look hard at those government buildings that they worked on that have been placed in service in 2017 (and earlier—can go back to all open years). The good news keeps coming for architects, engineers and contractors.



Dean Zerbe is alliantgroup's National Managing Director based in the firm's Washington, D.C. office. Prior to joining alliantgroup, Zerbe was Senior Counsel and Tax Counsel to the U.S. Senate Committee on Finance. He worked closely with then—Chairman of the Finance Committee, Senator Charles Grassley, on tax legislation.

During his tenure on the Finance Committee, Zerbe was intimately involved with nearly every major piece of tax legislation that was signed into law, including the 2001 and 2003 tax reconciliation bills, the JOBS bill in 2004 (corporate tax reform) and the Pension Protection Act. Zerbe is a frequent speaker and author on the outlook for short-term and long-term changes in tax policy, as well as ways accounting firms can help their clients lower their tax bill.

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