



# Assignable Energy Efficiency Tax Deduction for Public Buildings

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# Overview of Deduction

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- Allows a building owner to claim deduction for expenditures made as part of a new or existing building designed to reduce the total annual energy used in the operation of the building.
- Up to \$1.80 per square foot of building area for installation of systems that reduce total energy and power costs by 50% or more compared with a reference building.
- Partial deduction available for saving 16.7% of energy by any single system
- Eligible building systems
  - Interior lighting systems
  - Heating, cooling, ventilation, hot water systems
  - Building envelope systems.
- Reference building: "Meets the minimum requirements of ASHRAE standard 90.1-2001."



## Deduction for Public Buildings

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- Legislation: In the case of energy efficiency improvements in building owned by a federal, state, or local government, “the allocation of the deduction (may be) to the person primarily responsible for designing the property in lieu of the owner of such property.”
- On April 7, 2008, IRS issued IRS Notice 2008-40: The eligible designer “may include, for example, an architect, engineer, contractor, environmental consultant or energy services provider.”



# Relation to Other Federal Requirements

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- Energy Efficiency Tax Deduction:
  - 50% beyond ASHRAE 90.1-2001; new and existing
- EPACK 2005:
  - (Section 109) 30% below ASHRAE 90.1-2004 (Secretary makes determination 1 year after each new iteration of 90.1); new only
- EISA 2007:
  - (Section 433) Reductions in fossil fuel use based on 2003 CBECS benchmark (55% in 2010, rising to 100% in 2030); new and major renovations
  - (Section 431) Overall agency reduction in energy by 30% by 2015
- Other
  - Sustainable design requirements



## Opportunities/Reasons to Use the Deduction

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- Incentive for designers to achieve greater savings
- Methodology for computing energy savings required under EPACT, EISA, etc.
- Encourages integrated design process to achieve deeper savings
- Can help cover the added costs of integrated design, start-up commissioning, LEED documentation, etc.



## Barriers to Use of Deduction

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- Are agencies even aware of the deduction?
- No government-wide guidelines defining authority to designate this tax deduction (who makes the decision, under what conditions, etc.)
- How do you encourage design teams to meet goals?
- Is the deduction “generous” enough?
- Are certification requirements too strict?
- Where is information available about the deduction?