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One of the easiest "green" federal tax incentives to qualify for is the section 179D deduction.

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## Financial Incentives for Green Commercial Buildings

**G**oing green is typically associated with elevated costs, but Federal tax incentives can actually make going green financially appealing for real estate developers and owners of private buildings. Also, many of the financial incentives are tied to straight energy efficiency, not alternative energy sources.

"There are a number of green financial incentives for businesses, but we've found many are unaware of what's available," says Robert Bradham, CPA with Dixon Hughes Goodman.

As green building techniques have become more prevalent, they have also become more affordable, in many cases making the incremental cost of going green relatively small to nonexistent. Add to this the federal tax incentives for energy efficient buildings and numerous state and local tax incentives, and an investment in a "green" building project becomes a very attractive option.

"It's a win-win for everyone involved," Bradham says. "Building in an energy efficient manner provides

lower energy costs and it's better for the environment. Federal financial incentives reward businesses, so it's the smart move right now."

Of course, the reward only goes to those who know about the sometimes obscure tax code.

"We often find the buildings already qualify, they just need the proper inspection and documentation," Bradham says.

### 179D PROGRAM

One of the easiest "green" federal tax incentives to qualify for is the section 179D deduction. This provision allows for a current deduction of up to \$1.80 per square foot for "energy efficient commercial building property" placed in service during the year either as part of new construction or as part of a retrofit of an existing building.

In order to qualify as energy efficient commercial property, the property must be:

- Eligible for depreciation, not for personal use
- Located in the United States
- Installed as part of the

three primary building components:

- Interior lighting systems
- Heating, cooling, ventilation or hot water systems
- Building envelope
- Certified in accordance with IRS standards as being part of a plan designed to reduce the total annual energy and power costs with respect to these systems by 50 percent or more in comparison to a reference building meeting the minimum requirements of Standard 90.1-2001 using methods of calculation as prescribed by the IRS. Even better news is that partial deductions are allowed, so even if you only partially qualify you are able to receive a benefit.

### CREATING NEW CASH FLOW FROM OLD PROJECTS

Since 179D (and 45L) covers properties constructed and put into use in past years, taxpayers may be able to create cash flow from projects long since completed.

For example, with a 179D deduction, a taxpayer could have a study for a property previously placed in service during an open tax year (any property placed in service from 2006 to present) and then file amended returns or even a change in accounting method to take the deduction and claim a refund of taxes.

"This is a great opportunity, especially in these challenging economic times, for a business to squeeze some additional capital from projects they've completed years ago," Rudy Thomas, CPA with Dixon Hughes Goodman, says.

### 45L CREDIT

Another green tax credit that could serve as a financial boon for taxpayers is the Energy Efficient Home Credit known as IRS Code 45L.

The tax code allows for the credit on any qualifying dwelling that is used as a place of residence, however, it does not have to be the owner's primary

residence, meaning multiple residences can be claimed by developers and contractors. Savvy business owners can apply for the 45L credit for every qualifying residence within apartments, condominiums, and sometimes even dormitories for colleges and universities.

To qualify, each new energy efficient residence must be built by an eligible contractor between August 8, 2005 and December 31, 2011. The tax credit typically amounts to \$2,000 per residence. Further, since the 45L benchmark was based on earlier standards, many recently built homes exceed the standards and qualify.

A qualifying residence meets the following criteria:

- Located in the United States.
- Construction was substantially completed after August 8, 2005 and before December 31, 2011. Construction includes renovations and rehabilitation.

- The home is a "dwelling" unit that provides complete living facilities for one or more persons within a building that is not more than three stories in height.
- Meets the energy savings requirements of Code Section 45L(c). To meet this requirement, the dwelling must generally be certified in accordance with guidance prescribed by the IRS.

### OBSTACLES

As with any tax incentive, there is a checklist of issues that must first be addressed before claiming. These issues involve tax analysis, certification and qualified onsite inspection. This requires the management of multiple professionals, which can be a costly and time consuming process.

For both 45L and 179D, tax analysis, both proper certification and documentation are needed to qualify. ■



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