

Energy Policy Act 2005

The Energy Efficient Commercial Buildings Tax Deduction

Tax Deduction for Lighting Systems

The energy efficient commercial buildings deduction provides a deduction for building owners equal to energy efficient commercial building property expenditures made by the taxpayer, subject to a cap.

- A tax deduction is available up to \$1.80/sf for Energy Efficient Commercial Buildings that improve upon ASHRAE/IESNA 90.1-2001 energy use by 50%.
- Alternate system-specific deductions are available for interior lighting, HVAC and building envelope – each system up to \$0.60/sf deduction.
- An interim rule for the system-specific deduction for lighting provides \$0.30/sf for interior lighting systems with power density at least 25% less than prescribed by ASHRAE/IESNA 90.1-2001. This deduction increases in a linear fashion to \$0.60/sf for systems that are at least 40% less. Warehouses can only qualify for the deduction if they are at least 50% less than ASHRAE/IESNA 90.1-2001.
- The system-specific deduction for lighting can apply to new construction or lighting renovations for any building located in the United States that is within the scope of ASHRAE/IESNA 90.1-2001.
- Certain lighting level and lighting control requirements must also be met in order to qualify for the partial interim lighting deductions.
- The provision is effective for property (or renovations) placed in service after December 31, 2005 and prior to January 1, 2008. The tax deduction is claimed one time for the year in which the property is placed in service. The deduction cannot exceed the capital expenditure for the energy efficient lighting system and will reduce the cost basis of the equipment for depreciation purposes.
- For public entities such as public schools, hospitals or government offices, the deduction can be allocated to the person primarily responsible for designing the property.

The Department of Energy and the Internal Revenue Service will be defining specific details regarding tax guidance and compliance software by the end of the year. There will also be additional information regarding who is deemed qualified to certify building efficiency as well as the IRS deduction forms.

Information regarding The Energy Efficient Commercial Building Tax Deduction can be obtained at www.efficientbuildings.org. Specific lighting solutions that may qualify for the tax deduction are available at www.holophane.com/TaxDeduction.

The above summary is meant to provide a general overview of the tax provisions of the Energy Policy Act 2005. Please contact your tax advisor to determine the specific tax treatment appropriate for your company.