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Jeff Hiatt - Energy Deduction Based On Energy Reduction

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Although most green deductions are based on the amount spent, 179D Energy Efficient Commercial Buildings Deduction focuses primarily on affected square footage.

Commercial property owners most likely to qualify for these savings will have improvements with a square footage of at least 50,000 /f. Most obvious candidates include manufacturers and regional or national chains with multiple locations.

This legislation offers a tax deduction of up to \$1.80/s/f to those investing in energy efficient improvements placed in service after January 1, 2006. The program has been extended to December 31, 2013 so there is still time to make improvements and receive the deduction.

A wide range of improvements can qualify for the deduction--from simple lighting retrofits to full-scale construction projects. Eligible improvements must reduce energy use for any of the following categories - a building's envelope, HVAC, and/or interior lighting systems.

Potential savings for this deduction are significant. For example, an owner of a 50,000 s/f building could save up to \$15,000 - \$30,000 for improved lighting, \$30,000 for more efficient HVAC and another \$30,000 for tightening up the envelope of the building. That is a total of \$90,000.

The process for obtaining the 179D deduction, as mandated by the IRS, does require a detailed engineering analysis that must be certified by a qualified third-party. While some business owners might be unwilling to pay a third-party, it's an investment that's well worth it from a compliance side and the significant tax savings.

It's safe to say that most people and businesses want to operate in a way that's less damaging to the environment. The 179D deduction is one more example of how running a greener operation is also good business.

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