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EPAAct 2005 comm'l. buildings tax deduction up for extension

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In August 2005, the 2005 Energy Policy Act was officially signed into law. Considered to be among the most sweeping bodies of legislation to affect the nation's energy production and consumption in decades, EPAAct 2005 set a host of new product efficiency standards and supported enhancements to the nation's electric grid and generating infrastructure. EPAAct 2005 also offered unprecedented new federally-sponsored financial incentives rewarding the use of energy-efficient lighting, HVAC, and other high-efficiency building envelope technologies in both qualifying new installation as well as retrofit applications.

Originally available for eligible technologies placed into service between January 1st, 2006 and December 31st, 2007, these new financial incentives were offered in the form of tax deductions which provide up to \$.60 per s/f on the installation of energy-efficient lighting products that result in a building's increase in energy efficiency by 25-40% or more over the ASHRAE 90.1-2001 standard. Adopted as the commercial building reference standard for state building energy codes, the ASHRAE 90.1-2001 standard was instituted by industry association ASHRAE, the American Society of Heating, Refrigerating, and Air Conditioning Engineers. Tax deductions of up to \$1.80 per s/f are available on qualifying whole building upgrades that involve a totality of technologies which improve a building's energy efficiency by 50% or more over the ASHRAE 90.1-2001 standard.

In the 2 years that have transpired since EPAAct was enacted, the bill has helped channel our nation towards a more energy-efficient future and the commercial buildings marketplace has responded vigorously to the upgrade opportunity. In December 2006, president Bush officially signed a bill extending the tax deduction deadline until December 31st, 2008, effectively buying the marketplace an additional year to undertake an upgrade or pursue legislative improvements such as further extensions. And in August the U.S. House of Representatives officially approved HR 2776, "Renewable Energy and Energy Conservation Tax Act of 2007," which extends the energy-efficient Commercial Building Tax Deduction (CBTD) through 2013 at \$1.80 per s/f.

"Through the availability of the federal tax deduction opportunity, commercial end users have more reason than ever to take actions that were in their best financial interests anyway," confirms Rob Colgan, executive director of marketing for the National Electrical Contractors Association. "Lighting upgrades make tremendous economic sense on their own based on the energy savings, quality improvements, and productivity enhancements they drive. Tax deductions now enable the market to pursue these activities and enjoy the additional financial benefits of accelerated depreciation."

Ed Gray, director of energy infrastructure for the National Electrical Manufacturers Association (NEMA), believes that the incentives may also serve to increase the quality of the market's upgrade activity," said Gray, "tax deductions help shorten project payback periods and increase returns on investment, enabling end users to pursue higher-efficiency upgrades than they might otherwise have considered."

The house bill is now in the process of being reconciled with the Senate energy policy legislation passed in June. Senate leaders are considering how best to move forward on the energy tax package such that a formal extension bill can be proposed to the President before year-end. Offered on top of the extremely attractive 20-50% returns that lighting upgrades generate all on their own, EAct 2005 tax deduction opportunities provide an even more compelling reason to pursue an energy-efficient lighting upgrade in your facility today.

Susan Bloom is director of corporate communications for Philips Lighting & Advance,

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540