

Green Building Tax Advantages

Pat McCown, Principal

Lane Gorman Trubitt, LLP



Overview

- Federal
 - Energy Efficient Commercial Buildings Tax Deduction
- State & Local Green Building Tax Credits/
Incentives
- Non-Tax Related Green Building Funding
Mechanisms



Federal – Energy Efficient Commercial Buildings Tax Deduction

- Established by the Energy Policy Act of 2005
 - Provides a credit applied in the form of a DEDUCTION (Sec. 179D) on the taxpayers Federal Income Tax return
 - Applies to commercial buildings placed in service from January 1, 2006 through December 31, 2013 (recently extended by H.R. 1424)
 - IRS Notice 2006-52 and 2008-40



Federal - Continued

- Qualifications
 - New or Existing Buildings
 - Includes but is not limited to: (1) interior lighting; (2) building envelope, or (3) heating, cooling, ventilation, or hot water systems that reduce the building's total energy and power cost by 50% or more in comparison to a building meeting minimum requirements set by ASHRAE Standard 90.1-2001.
 - Energy savings must be calculated using qualified computer software approved by the IRS. (Qualified Engineer Certification see Notice 2006-52)



Federal - Continued

- Qualifications
 - Available primarily to building owners, although tenants may be eligible if they make construction expenditures
 - In the case of energy efficient systems installed on or in government property, tax deductions will be given to the person primarily responsible for the systems' design (“designer”)



Federal - Continued

- The Credit \$\$
 - \$0.30-\$1.80 per square foot, depending on technology and amount of energy reduction
 - Maximum deductions of \$0.60 per square foot are available to owners of buildings in which individual lighting, building envelope, or heating and cooling systems meet target levels that would reasonably contribute to an overall building savings of 50% if additional systems were installed
 - Deductions are taken in the year when construction is completed
 - There is no special form to claim the deduction
 - Taxpayers should include the amount of the deduction in the amount in the "Other deductions" line of the tax return
 - A statement listing the types and amounts of "other deductions" should be attached to the return. In addition, it is important that a taxpayer obtain and retain the necessary certifications and documentation to claim the deduction (see, IRS Notice 2006-52 for these requirements).



State & Local Green Building Tax Credits/Incentives

- Texas
 - Nothing specifically for green buildings
 - Property tax exemption for qualifying pollution control equipment/facilities
 - Requires Certification by the TCEQ
 - Property must be wholly or partly used for pollution control to be eligible. It must have been purchased or installed after January 1, 1994, and must meet or exceed a federal, state, or local environmental regulation



State & Local Green Building Tax Credits/Incentives

- Other States
 - Corporate Income Tax Credits – GA, IN, KY, MD, MA, MT, NM, NY, OR
 - Sales Tax Exemptions – CT, KY
 - Property Tax Exemptions – MD, NV, VA



Other Green Building Funding Opportunities

- Electric Utility Rebates – Available in almost Every State – Extensively Offered in Texas
 - Ex: Oncor Energy – Large Commercial Standard Offer Program – Provides incentives to Service Providers who install energy-efficiency measures in commercial and governmental facilities in the Oncor service area
- State Bond Programs for Gov't Buildings and Schools – MT, NM
- Loans
 - LoanSTAR Revolving Loan Program – Schools, State and Local Gov't, Hospitals – 3% APR; Up to \$5M



For More Information

- Websites
 - www.dsireusa.org (Database of State Incentives for Renewables & Efficiency)
 - www.efficientbuildings.org
 - www.irs.gov
 - www.tceq.state.tx.us (Texas Commission on Environmental Quality)
 - www.seco.cpa.state.tx.us (State Energy Conservation Office)



For the Best Information

- Kirk Teske – 214-969-5599
kteske@hksinc.com
- Pat McCown – 214-461-1416
pmccown@lgt-cpa.com

