

EPA Act Commercial Building Tax Deduction

Economic Stabilization Act of 2008 (reverse)

Summary of Key Points

- ▶ The bill provides an accelerated tax deduction to the building owner for energy system upgrades
- ▶ The upgrades can be realized in 3 areas of the building: lighting, HVAC and the building envelope
- ▶ Upgrades must exceed ASHRAE 2001 standards by 25%-40%
- ▶ Incentives equal \$1.80 per square foot
- ▶ The upgrade must be verified by an approved 3rd party
- ▶ The incentive is for a tax deduction and NOT a tax credit



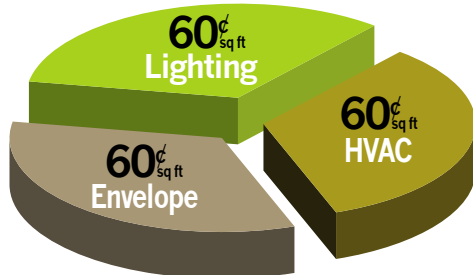
Tax Deductions for Commercial Buildings - The EPA Act bill provides accelerated tax deduction incentives for energy system upgrades completed from 2006 through 2013. Energy improvements are eligible for tax deductions up to \$1.80 per square foot. The incentives focus on improvements to 3 separate areas of the building: lighting, HVAC and the building envelope. Improvements are compared to a baseline of ASHRAE 2001 standards.

The most common qualifying projects are in the lighting area. According to the Interim Rules for Lighting Projects: The lighting system energy savings target is a LPD (Lighting Power Density, or watts per square foot) must reach levels of 25% to 40% lower than the minimum requirements of ASHRAE/IESNA Standard 90.1-2001. For warehouses, the lighting power density (W/sq. ft.) must be 50% lower to be eligible for 60¢ per square foot. Lighting power density reductions of less than 25% will not qualify for any tax deduction. Note that there is a later (current) 2004 ASHRAE standard but the bill refers to the earlier (2001) standard.

The Bill also calls for bi-level switching to be installed in most spaces. The exact requirements have not been spelled out, but the understanding is that the lighting system must be capable of lighting the area to two different levels.

Finally, the Bill has a provision that illumination levels must satisfy minimum requirements for each space as spelled out in the IES Handbook, 9th edition (2000). The intent of this is to ensure that building owners do not simply reduce light levels in order to comply with the watts per square foot limit, but, instead, choose the most efficient lighting technologies available in order to lower power consumption while still maintaining appropriate light levels.

\$1.80 _{sq ft} | Total maximum tax deduction incentive available



ASHRAE/ IESNA 90.1 also calls for automatic turn off of lights for new construction areas exceeding 5000 square feet, either with an occupancy sensor or programmable lighting controls.

Clearly, the Bill is complex and we cannot assure any customer that IRS will permit the tax deduction. It is best to contact a qualified Tax Professional for full details and confirmation of eligibility requirements. See your Loeb Electric representative to find out how we may assist you in claiming your tax deductions.

Emergency Economic Stabilization Act of 2008

Summary of Key Energy Efficiency and Renewable Energy Provisions



Extension of Energy-Efficient Buildings Deduction. (see reverse page) Current law allows taxpayers to deduct the cost of energy-efficient property installed in commercial buildings. The deductible amount can equal up to \$1.80 per square foot of the building floor area for buildings achieving a 50% energy savings target (ASHRAE 2001). The energy savings must be accomplished through energy and power cost reductions for the building's heating, cooling, ventilation, hot water, and interior lighting systems. This bill extends the energy efficient commercial buildings deduction for five years, through December 31, 2013.

Accelerated Depreciation for Smart Meters and Smart Grid Systems. The bill provides accelerated depreciation for smart electric meters and smart electric grid equipment. Under current law, taxpayers are generally able to recover the cost of this property over a 20-year period. The bill allows taxpayers to recover the cost of this property over a 10-year period, unless the property already qualifies under a shorter recovery schedule.

Extension and Modification of Production Tax Credit for Renewable Generation. The bill extends the placed-in-service date for the Section 45 credit through December 31, 2009 in the case of wind and refined coal, and through December 31, 2010 in the case of other sources. The bill expands the types of facilities qualifying for the credit to new biomass facilities and to those that generate electricity from marine renewables (e.g., waves and tides). The bill updates the definition of an open-loop biomass facility, the definition of a trash combustion facility, and the definition of a

non-hydroelectric dam. The bill also increases emissions standards on the refined coal credit and removes its market value test.

Long-term Extension of Energy Credit. The bill extends the 30% investment tax credit for solar energy property and qualified fuel cell property, as well as the 10% investment tax credit for micro turbines, through 2016. The bill increases the \$500 per half kilowatt of capacity cap for qualified fuel cells to \$1,500 per half kilowatt of capacity, and adds small commercial wind as a category of qualified investment. The bill also provides a new 10% investment tax credit for combined heat and power systems and geothermal heat pumps. The bill allows these credits to be used to offset the alternative minimum tax (AMT).

Long-term Extension and Modification of the Residential Energy-Efficient Property Credit. The bill extends the credit for residential solar property through 2016, and removes the credit cap (currently \$2,000) for solar electric.



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