

INFLATION REDUCTION ACT OF 2022

§179D Energy Efficient Commercial Building Deduction

For Owners & Designers of Energy Efficient Buildings

The Energy Policy Act of 2005 (EPAct) created the §179D Deduction as a tax incentive to encourage energy-efficient construction. The Inflation Reduction Act of 2022 (IRA) has enhanced the §179D Deduction by raising the maximum deduction to \$5.00 (indexed to inflation) per square foot and, expanded eligibility to include tax-exempt owned buildings.



Deduction Rates

Placed in service 2006–2022

\$.30 – \$1.88 per square foot (SF)

Placed in service 2023–2032

Base deduction – \$.50 – \$1.00 per SF

Bonus deduction – \$2.50 – \$5.00 per SF



Energy-Efficient Building Systems

Interior lighting

HVAC & hot water

Building envelope



Eligible Recipients

Commercial & multifamily building owners
Designers of government-owned buildings
Designers of tax-exempt owned buildings



Eligible Placed-in-Service Dates

Commercial & multifamily – After Dec. 31, 2005.

Government – In an open tax year (typically the last 3).

Tax-exempt – After Dec. 31, 2022, and in an open tax year.

– Case Study

A design-build contractor constructed five, K-12 facilities, totaling 850,000 square feet. The 179D deduction yielded a \$4.5m deduction, leading to \$1.13m in tax savings.

– Best Practice Tip

Work with an experienced 179D team of Professional Engineers and tax professionals to obtain your 179D deduction.

At a minimum, they should assist in:

- Facilitating project scope interviews with the design team.
- Obtaining allocations from tax-exempt building owners.
- Performing modeling and building inspections.
- Preparing certificates of energy efficiencies.
- Assisting filing a change in method of accounting.
- Coordinating with your tax team to implement the deduction

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