

179D: COMMERCIAL BUILDINGS ENERGY EFFICIENCY TAX DEDUCTION

Key Takeaways

- ▶ Up to 77,000 jobs could be created with a long-term extension of 179D, according to a recent study.*
- ▶ \$7.4 billion could be added to the GDP with a long-term 179D extension and modification.
- ▶ 179D is a deduction, not a credit.
- ▶ 179D requires major building system upgrades to surpass energy codes by an additional 50% to qualify.
- ▶ A 2019 bipartisan Senate Finance Committee report recommended that 179D be made permanent.

The Issue: The Commercial Buildings Energy Efficiency Tax Deduction, commonly referred to as 179D, offers building owners a deduction of up to \$1.80 per square foot for next-level energy efficient improvements made to heating, ventilation and air conditioning (HVAC) systems; the building envelope, including windows; and lighting upgrades that exceed ASHRAE Standard 90.1 (currently version 2007) by 50 percent. Buildings must be independently certified to receive this deduction. The tax deduction helps real estate owners who might not otherwise have the necessary capital to enact energy efficiency retrofits. 179D remains the only federal incentive for commercial buildings to become energy efficient. Since its inception in 2005, 179D has been extended various times, most recently retroactively for 2018 through 2020.

BOMA's Position: BOMA urges Congress make 179D a permanent part of the tax code so that building owners can be able to plan for expensive next-level retrofits in a manner that is currently not possible with short-term and retroactive extensions. The costs associated with advanced energy efficiency retrofits often have long-term paybacks well outside most investment scenarios. 179D will help bridge that gap, lowering energy costs that translates to more money for tenants to invest back into their businesses.

Specific Ask: Support federal legislative efforts to make permanent the Commercial Buildings Energy Efficiency Tax Deduction (179D).

For more information please contact:

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*Study conducted by Regional Economic Models, Inc. (REMI), "Analysis of Proposals to Enhance and Extend the Section 179D Energy Efficient Commercial Buildings Tax Deduction," May 2017.