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## **Don't leave green on the table**

*by Jeff Coyle*

Many green building owners and designers may be missing out on federal tax incentives intended to reward energy efficient design, said John Pettit, project executive for Energy Design Service Systems. Pettit was the speaker at the July 22 Brown Bag Lunch-N-Learn on energy legislation hosted by the U.S. Green Building Council Central Texas-Balcones chapter.

"There are a lot of incentives out there for green building that are not very well known," said Pettit.

One example is section 179D of the U.S. Tax Code. Included in the Energy Policy Act of 2005, 179D offers a tax deduction of up to \$1.80 per square foot for eligible commercial and institutional projects that were placed in service between 2006-2013. To receive the full deduction, projects must exceed by 50 percent the 2001 version of American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE 90.1) standards for HVAC, lighting and building envelope. Partial deductions of \$.60 per square foot per category are allowed.

"Our experience working with design firms in this capacity is that the deductions are large enough to offset all corporate income taxes for up to five years," said Pettit. "Of all commercial space in the United States that qualifies for this incentive, only 3% has filed for it. Most people don't know about it."

The potential beneficiaries of section 179D are the owners of private buildings or, significantly, the designers of public projects, since the public entity that owns the building doesn't pay federal taxes. Eligible public projects include schools, airports, parking garages, police and fire stations, colleges and universities, prisons and military bases. While 179D is for commercial and institutional projects, another provision of the tax code — 45L — applies to residential projects. To qualify for either incentive, the design needs to be evaluated by an IRS certified evaluator.

"One way for a public entity to offset the cost of a public project is to give the design team the tax deduction, which allows them to get cash from the federal government rather than the client," said one participant in the session.

Pettit told one recent success story of a retailer that was spending \$3.8 million to update 40 stores. 14 stores qualified for the tax deductions. The expected rebates to the retailer equal approximately \$350,000.

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### **The Vision and Mission of the Central Texas - Balcones Chapter**

Vision: Buildings and communities will regenerate and sustain the health and vitality of all life.

Mission: Accelerate the transformation toward sustainable building and land development practices in Central Texas