

# Using the 179D Tax Deduction to Reduce Energy Use in Municipal Buildings



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# Two Ways to Qualify Under 179D

- ▣ 1st - *“Whole Building”* Approach
- ▣ 2nd - *“Partial Building Systems”* Approach



**Interim Lighting Rule**

# Interim Lighting Rule

- ▣ This rule was developed to simplify use of the tax code if the property owner is only addressing lighting upgrades.
- ▣ Does not require special approved software.
- ▣ Does not require modeling of each facet of the buildings HVAC, Envelope and Lighting.
- ▣ Generally lighting upgrades offer the quickest return on investment and the lowest initial investment.
- ▣ Requirements are currently based on the 2001 standards published by ASHRAE (These standards form the basis of many state and local energy codes).

# General Requirements

- Meet the watts per sq ft density as specified by 179D
- Meet guidelines on how the lights are controlled, generally speaking this requires an energy management system or lighting control panel that turns the lighting on and off at designated times
- Bi Level switching intended for the space occupant to control work space light levels
- Meet light level guidelines as established by the IES (Illuminating Engineers Society) which varies by space usage.

# Assignment of the Deduction

- Designer of the lighting must document that the 179D Guidelines have been met.
- There is a required third party verification of the data provided by the Designer.
- Proof of expenses for the project must be documented and kept.
- The municipality assigns the deduction to the Designer. The amount assigned is the lesser of the project cost or \$.60 per sq ft.
- The designer can then use the deduction against ordinary income on their tax return.

# Example Projects



## Washington County: Pleasant Valley Infirmary:

▣ Cost of project:

Materials .....\$47,000  
Estimated Labor.....\$22,000

Total.....\$69,000

Applicable sq. ft.....97,000

x \$0.60

\$58,000

➤ Maximum allowable deduction is \$58,000



## NYS Dormitory Authority

▣ Cost of project:

Materials .....\$110,000  
Estimated Labor.....\$43,000

Total.....\$153,000

Applicable sq. ft.....150,000

x \$0.60

\$90,000

➤ Maximum allowable deduction is \$90,000