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
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).
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.
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.
**Washington County: Pleasant Valley Infirmary:**

- **Cost of project:**
  - Materials: $47,000
  - Estimated Labor: $22,000
  - Total: $69,000

- Applicable sq. ft: 97,000
  - $0.60
  - $58,000

- Maximum allowable deduction is $58,000

**NYS Dormitory Authority: Washington County:**

- **Cost of project:**
  - Materials: $110,000
  - Estimated Labor: $43,000
  - Total: $153,000

- Applicable sq. ft: 150,000
  - $0.60
  - $90,000

- Maximum allowable deduction is $90,000