

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



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The Basic Process



Initial Meeting



Energy Audit

State Gov't Incentive
Utility Co. Incentive
Federal Tax Deduction

Incentives



Installation

The Basic Process



Initial Meeting



Energy Audit

TOTAL \$\$\$ Invested
-Annual Energy Savings
-State/Utility Incentive
-Tax Incentive
Return on Investment
(ROI)

Installation



Installation

Claiming The Deduction

- ▣ For Public buildings: The designer(s) can claim the deduction?!
 - The IRS allows the deduction to be allocated to the “*person primarily*” responsible for designing systems in lieu of the public entity, or, at the owner’s discretion, allocated among several Designers.

- ▣ IRS: “architect, engineer, contractor, environmental consultant or energy services provider who creates the technical specifications” may claim deduction”!

Allocating the Tax Deduction

- ▣ Design & Build of Energy Upgrade Project to Meet 179D Guidelines
- ▣ Negotiate Tax Incentive Distribution with “Designer “
- ▣ Public Owner Signs Allocation Form/Letter
- ▣ Receive Tax Incentive Distribution

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

- Min Value: \$0.10 ~ \$5,800
- Max Value: \$0.35 ~ \$20,300



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

- Min Value: \$0.10 ~ \$9,000
- Max Value: \$0.35 ~ \$31,500

Q&A...

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Certification Requirements

- ▣ Statement regarding the energy efficiency of the building
- ▣ (Lighting, HVAC and/or hot water system, Envelope)
- ▣ Statement that the reduction has been determined under the Rules of Notice 2006-52
- ▣ Statement that field inspections have been performed verifying the energy-saving assets
- ▣ Statement that approved software has used for calculations
- ▣ A list of qualifying assets and projected annual energy costs
- ▣ Completed by a *Qualified, Independent 3rd Party*
 - - Properly licensed engineer or contractor with accounting and IRS experience
 - - Not a related Individual or Entity – no subsidiaries
 - - Written statement of qualification to taxpayer