

# Be Off The Grid.com

3 Sylvia Place – Randolph NJ

1-973-277-7906

## **Lighting Conservation Tax Incentives** **\$.60 Federal Tax Deduction per Square Foot!**

Our LED Tubes save a combined total of 75% or more, with a savings for both the Tube and the Ballast. An equivalent of 45% is saved, compared to standard Fluorescent lighting, with the LED Tubes alone.

The Energy Policy Act of 2005 included a new tax incentive, to improve the energy efficiency of commercial buildings. The "Commercial Building Tax Deduction" establishes a tax deduction for expenses incurred for energy efficient building expenditures made by a building owner.

\* Buildings that save at least 50 percent of projected annual energy costs across all three system components are eligible for a tax deduction of \$1.80 per square foot.

\*\* Buildings that save a specified percentage of projected annual energy costs for one of the three components – building envelope (10 percent whole building energy savings), lighting (20 percent), or heating and cooling (20 percent) – are eligible for a \$.60 per square foot deduction.

\*\*\* For lighting improvements that reduce lighting use by 25-40 percent and also employ dual switching (ability to switch roughly half the lights off and still have fairly uniform light distribution), the \$.60 per square foot may be prorated, ranging from \$0.30 per square foot for 25 percent lighting energy savings to \$0.60 per square foot for 40 percent savings.

The Emergency Economic Stabilization Act of 2008 (HR-1424), approved and signed on October 3, 2008, extends the benefits of the Energy Policy Act of 2005 through December 31, 2013.

### Improve Lighting Systems:

Improving your lighting systems is one of the first steps EPA recommends to increase the efficiency of your buildings whether you are retrofitting existing buildings or designing new buildings. This is not only because lighting upgrades are so cost effective, but also because less heat is generated from efficient lighting systems, affecting the proper sizing of more capital-intensive heating and cooling systems. As outlined in the [ENERGY STAR Building Upgrade Manual](#), a strategy that combines efficient lighting technologies, controls, and appropriate light levels is the most effective approach to meeting energy efficiency goals, including those required to qualify for the partial tax deduction. Read the Lighting Section, helpful information for lighting, don't forget to jump ahead of the curve, be a forward leaning, lean and mean energy machine, update to our state-of-the-art LED Tube lighting and save 75% over standard Fluorescent Tubes.

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You may qualify for a deduction of \$0.60 per square foot if the lighting system employs dual switching (ability to switch roughly half the lights off and still have fairly uniform light distribution) and reduces installed lighting power by at least 25% from values specified in specific cited tables in ASHRAE Standard 90.1-2001. As lighting power reductions climb from 25% to 40%, the deduction is increased proportionally, up to \$0.60 for a 40% power reduction (plus the dual switching).

For a typical building, a lighting power reduction of 40% increases the building's ENERGY STAR rating by about 10 points.

Lighting consumes close to 35 percent of the electricity used in commercial buildings in the United States and affects other building systems through its electrical requirements and the waste heat that it produces. Upgrading lighting systems with efficient light sources, fixtures, and controls can reduce lighting energy use, improve the visual environment, and affect the sizing of HVAC and electrical systems.

## **CONSULT A TAX PROFESSIONAL**

Confirm with your Tax Professional and take a \$.60 per square foot deduction for improved lighting efficiency of 40% (with at switch that can turn off one/half of the lighting on command). Only a tax attorney or other related professional can provide tax advice.

Q. What if my project cost exceeds the cap of \$0.60/sq. ft.? How is the remaining cost treated tax-wise?

A. The remaining costs can be depreciated and claimed normally. So a qualifying project in a 100,000-sq.ft.building with a cost of \$100,000 and 40% lighting power density savings could be eligible to deduct \$60,000 in the taxable year the lighting is placed in service. The remaining \$40,000 could then be claimed normally (i.e., capitalized and depreciated).

Q. What if a commercial building tenant performs a retrofit that would meet the energy savings, would they get the deduction?

A. Unfortunately, as in many matters of tax law, the answer is not necessarily clear. The person who gets the Commercial Buildings Deduction is the person who owns the property for tax purposes.

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Although in many, if not most instances, a tenant improvement will revert to the landlord at the end of a lease, the property is not necessarily owned by the landlord for tax purposes. It is a question of fact, and the determination depends on the arrangements between the parties. If the tenant pays for the investment, constructs it according to its own specifications, and there are no concessions in the lease or from the landlord, it is likely that the tenant will be the owner of the improvements for tax purposes and eligible to claim the Commercial Buildings Deduction.

Fortunately, this is a question that arose under the tax law before the enactment of the Commercial Buildings Deduction provision. In the case of tenant improvements, the tenant and landlord would have to determine who the tax owner is for purposes of claiming depreciation deductions in any event. The Commercial Buildings Deduction does not change that determination. The Commercial Buildings Deduction simply provides a more beneficial deduction than that normally provided by depreciation. Perhaps a tenant should come to an agreement, in advance, with the landlord about who gets the deduction, or how it is to be shared, consult your tax professional.

The analysis is the same regarding improvements in government buildings. If the contractor is the owner for tax purposes, it can claim the Commercial Buildings Deduction. Whether a private person can be an owner of property with respect to a government building under the applicable local law is a factor that would have to be taken into account in determining who the owner is for tax purposes.

Sources -

Commercial Tax Incentives -

[http://www.energystar.gov/ia/business/comm\\_bldg\\_tax\\_incentives.pdf](http://www.energystar.gov/ia/business/comm_bldg_tax_incentives.pdf)

Lighting and People -

[http://www.energystar.gov/ia/business/EPA\\_BUM\\_CH6\\_Lighting.pdf](http://www.energystar.gov/ia/business/EPA_BUM_CH6_Lighting.pdf)

Commercial Lighting Tax Deductions - <http://www.lightingtaxdeduction.org/>

IRS Deduction for Energy Efficient Commercial Buildings -

<http://www.efficientbuildings.org/PDFs/n-08-40.pdf>

Qualified Software to Calc. Comm. Building Tax Deductions

[http://www1.eere.energy.gov/buildings/qualified\\_software.html](http://www1.eere.energy.gov/buildings/qualified_software.html)

Tax Incentives for Commercial Buildings

[http://www1.eere.energy.gov/buildings/tax\\_commercial.html](http://www1.eere.energy.gov/buildings/tax_commercial.html)

Federal Tax Incentives. Home and Business

[http://www.mi.gov/documents/dleg/FAQs\\_Federal\\_Tax\\_Credits\\_256153\\_7.pdf](http://www.mi.gov/documents/dleg/FAQs_Federal_Tax_Credits_256153_7.pdf)

Business Tax Incentives

[http://energytaxincentives.org/business/commercial\\_buildings.php](http://energytaxincentives.org/business/commercial_buildings.php)

For further assistance in changing over to LED Lighting, please contact us at [info@beoffthegrid.com](mailto:info@beoffthegrid.com). Visit our website [www.beoffthegrid.com](http://www.beoffthegrid.com) for a complete listing of our energy solution products and services.