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Green Cities: Commercial Building Tax Deduction Is Now Law
[Economic Bailout Plan Extends Commercial Building Tax Deductions for Energy Upgrades through 2013]

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Green cities create community good will and ensure long-term economic vitality. Some of the benefits of governments going green include:

- Enhance employee productivity
- Reduce operating costs (energy, water, resource use)
- Improve transportation options and networks
- Improve air quality
- Expand parks, green space and tree cover
- Enhance river, stream and ecosystem health
- Reduce heat island effect
- Minimize greenhouse gas emissions
- Advance recycling, composting and waste reduction

President Bush Signs Green Building Tax Deduction Into Law:

On October 3, 2008, President Bush signed into law H.R. 1424 and extended the Energy Efficient Commercial Building Tax Deduction as part of the Emergency Economic Stabilization Act of 2008.

Increasingly, as green builders respond and strive to give your residents and businesses what they want and need - quality, value, functionality and a work environment that enhances productivity – you can encourage and assist developers by providing information regarding Federal Tax Deductions.

Commercial Building Tax Deduction:

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 of up to \$1.80 per square foot is available to owners or tenants (or designers, in the case of government-owned buildings) of new or existing commercial buildings that are constructed or reconstructed to save at least 50% of the heating, cooling, ventilation, water heating, and interior lighting energy cost of a building that meets ASHRAE Standard 90.1-2001.

Only buildings covered by the scope of ASHRAE Standard 90.1-2001 are eligible. Partial deductions of \$.60 per square foot can be taken for improvements to one of three building systems—the building envelope, lighting, or heating and cooling system—that reduces total heating, cooling, ventilation, water heating and interior lighting energy use by 16 2/3% (16 2/3% is the 50% goal for the three systems spread equally over the three systems).

These deductions are available for buildings or systems placed in service from January 1, 2006, through December 31, 2013.

Tax Deduction Amount:

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The deduction is limited to an amount equal to \$1.80 per square foot of the property for which such expenditures are made.

Qualifying Buildings:

- The building must be located in the United States.
- Installed on or in any building located in the United States that is within the scope of Standard 90.1-2001, Energy Standard for Buildings Except Low-Rise Residential Buildings, of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America;
- Installed as part of (i) the interior lighting systems, (ii) the heating, cooling, ventilation, and hot water systems, or (iii) the building envelope;
- Certified as being installed as part of a plan designed to reduce the total annual energy and power costs of interior lighting systems, heating, cooling, ventilation, and hot water systems of the building by 50 percent or more when compared to a reference building, which meets the minimum requirements of Standard 90.1-2001 (as in effect on April 2, 2003).

Certification:

- IRS Notice 2006-52 requires inspectors to be engineers or contractors licensed in the jurisdictions where the building is sited. Inspections must meet guidelines of the National Renewable Engineering Laboratory.

Government-Owned Buildings:

- For energy-efficient commercial building property expenditures made by a public entity, such as public schools, the IRS issued guidance on March 12, 2008 that allows the deduction to be allocated to the person primarily responsible for designing the property in lieu of the public entity.

Effective Date:

- The provision is effective for property placed in service after December 31, 2005, and prior to December 31, 2013.

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