

Public Buildings and the Energy Policy Act

Owners can help designers obtain a significant tax benefit, while maintaining their own long-term benefits

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The Energy Policy Act of 2005

The 2005 Energy Policy Act is giving a much-needed tax break to architects, engineers and other designers of energy-efficient government buildings. Your building is a candidate because of its energy-efficient design and your designer may be entitled to a tax break.

The Act allows private property owners a tax deduction of \$1.80 per square foot for buildings that meet certain energy standards. Since government property owners don't pay federal income taxes, the tax break for public entities can be assigned to the project's designer. The purpose of this allocation is to encourage designers to design energy-efficient systems for public entities.

What Qualifies?

"Public" buildings are currently defined as education projects (K-12 and higher education), military facilities, and buildings used by local, state, and federal governments. Each square foot of a building whose HVAC systems, building envelope, and lighting systems meet or exceed a minimum reduction in energy costs versus a 2001 baseline qualifies for the deduction.

How is the Benefit Obtained?

The designer of your building must hire a third-party, independent engineer to verify the building's energy performance levels. Before applying for the benefit on his/her tax return, a designer obtains the signature of an authorized representative of the public entity on a simple allocation form that verifies basic information about the designer.

What if There is More than One Designer?

The owner can distribute the benefit amongst multiple designers, if appropriate. The owner specifies the percentage to which each designer is entitled on the allocation form.

How does the Property Owner Benefit?

The benefit is not available to government entities. But government owners can make the benefit available to the designer of the building. In essence, 179D benefits encourage architects to design buildings to be as energy-efficient as possible. For every \$0.60 cents of qualified square footage an architect receives, the property owner receives a PERMANENT 20% reduction in the building's operational energy costs. This can mean tens of thousands of dollars in savings per year for every year that the building is in operation.

In many ways, the Federal Government subsidizes the R&D and design of energy-efficient buildings, with the public entity being the real recipient of the most 179D benefits. Perpetual benefits are many fold the few pennies per square foot that the designer received one time.

Architects work hard to earn their \$0.60 per square foot for each component in the design, and return thousands of dollars in reduced energy costs each year to their clients (you – the property owner).

The real beneficiaries of EPAct are the cash-strapped public entities that save on their energy bills with R&D in essence funded by the government.

What Does it Cost?

There is no cost to the owner. The designer pays for and obtains the report of energy qualification from an independent engineering firm. Most buildings designed with an eye toward energy efficiency since the start date of the Act (January 1, 2006) will qualify.