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A potentially large deduction is about to expire on December 31, 2020. That deduction is the energy efficient building deduction under Internal Revenue Code Section 179D which was extended by Congress in December 2019 by the Taxpayer Certainty and Disaster Relief Act of 2019. The section 179D tax deduction was originally passed by Congress as part of the Energy Policy Act of 2005 in an effort to encourage broader energy efficiency. Section 179D allows qualifying building owners and businesses to receive an up to \$1.80 per square foot tax deduction for their energy-efficient qualifying property placed in service after 2005 and before 2021.

A tax deduction of \$1.80 per square foot is available to owners of new or existing commercial buildings who install (1) interior lighting; (2) building envelope, or (3) heating, cooling, ventilation, or hot water systems that reduce the building's total energy and power cost by 50% or more in comparison to a building meeting minimum requirements set by ASHRAE 2001 Standards (for qualifying property placed in service before January 1, 2016) or ASHRAE 2007 Standards (for qualifying property placed in service after January 1, 2016). Qualifying commercial buildings include:

- Retail buildings
- Office buildings
- Industrial buildings
- Apartment buildings (at least 4 stories)
- Warehouses

The maximum allowable deduction for any building is \$1.80 per building square footage. Property that would otherwise qualify, but do not meet the 50% energy reduction test, are still eligible for a reduced deduction, limited to up to \$0.60 per square foot. If a deduction is allowed, the basis of the property is reduced by the amount of the deduction.

To qualify for the deduction, the property must be certified as meeting the requirements by an unrelated, qualified and licensed engineer or contractor. Taxpayers must retain the certification in their tax records.

