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## Green Tax Incentives

### Energy Efficient Commercial Building Expenditures

Some of you have already started on the “going green” path. Others may be interested but are still waiting to see some real economic incentives before jumping on board. Well, the federal government is trying to provide some incentives.

The Emergency Economic Stabilization Act of 2008 allows for an energy efficient commercial building deduction through December 31, 2013. This legislation offers a tax deduction of up to \$1.80 per square foot to those investing in energy efficient improvements. This allows you to currently deduct this portion of your building improvement costs, rather than depreciating them over a 39 year period.

To achieve the maximum \$1.80 per square foot deduction, energy and power costs must be reduced by at least 50 percent when compared to a reference building. If a building comes in under 50 percent, it may still qualify for a deduction of \$.60 per square foot if there is a decrease in costs of at least 16 2/3 percent.

Taking the deduction requires some additional planning. Taxpayer must obtain a certification that the required energy savings will be achieved. You will want to bring this person in early in the process so that he can help you plan the project. A good professional will offer suggestions and ideas that will help you maximize your income tax benefits.



### Eligible Improvements

Eligible improvements must reduce energy use for any of the following categories: a building's envelope, HVAC, and/or interior lighting systems. Examples of energy-efficient building materials and systems:

- High-efficiency insulation in walls, ceilings, and floors
- Automatic thermostats, lighting controls, and other monitoring equipment
- Energy-efficient light bulbs and fixtures
- Solar cells or solar water heating
- Ultra-efficient air conditioners and furnaces
- High-performance glazing and other energy-efficient materials on the building envelope
- Natural ventilation
- Day-lighting
- On-site generation of electricity
- Improved fan efficiency

## Potential Benefits

Sample Improvement Size	Partial Tax Deductions			Full Tax Deduction
	Lighting	HVAC	Envelope	
50,000 sq. feet	\$15 - \$30K	\$30K	\$30K	\$90K
100,000 sq. feet	\$60K	\$60K	\$60K	\$180K
300,000 sq. feet	\$180K	\$180K	\$180K	\$540K

Unlike most deductions, which are based on the amount spent, this deduction is based on affected square footages. A minimum square footage of 50,000 square feet is ideal. A wide range of improvements from simple lighting retrofits to full-scale construction projects can qualify.

## How to Qualify

- The building must meet energy and power costs reduction standards as detailed in *Standard 90.1 – 2001, Energy Standard for Buildings Except Low-Rise Residential Buildings* (effective April 2, 2003).
- Certification must be obtained to verify that the property installed satisfies specific energy efficiency requirements.
- Certification must be performed by a qualified individual and include a variety of statements regarding the energy savings.

## How We Can Help

- Determine the amount of the additional deduction.
- Assistance with the calculation of the tax basis and depreciation adjustments.
- Coordination with engineers to analyze and determine energy efficiencies. This may require a review of construction documents, site visits, and discussions with architects, builders, and contractors.
- Verify that the certification satisfies all IRS requirements necessary to support the additional deduction.
- Preparation of tax returns.

Improving your energy efficiency can mean more cash for your business. Contact Jim Komos or Al Urbancic at 216.831.7171 for more information on how Ciuni & Panichi, Inc. can work with you.