

26 USC §179D. Energy efficient commercial buildings deduction

(a) In general

There shall be allowed as a deduction an amount equal to the cost of energy efficient commercial building property placed in service during the taxable year.

(b) Maximum amount of deduction

The deduction under subsection (a) with respect to any building for any taxable year shall not exceed the excess (if any) of-

(1) the product of-

(A) \$1.80, and

(B) the square footage of the building, over

(2) the aggregate amount of the deductions under subsection (a) with respect to the building for all prior taxable years.

(c) Definitions

For purposes of this section-

(1) Energy efficient commercial building property

The term "energy efficient commercial building property" means property-

(A) with respect to which depreciation (or amortization in lieu of depreciation) is allowable,

(B) which is installed on or in any building which is-

(i) located in the United States, and

(ii) within the scope of Standard 90.1–2007,

(C) which is installed as part of-

(i) the interior lighting systems,

(ii) the heating, cooling, ventilation, and hot water systems, or

(iii) the building envelope, and

(D) which is certified in accordance with subsection (d)(6) as being installed as part of a plan designed to reduce the total annual energy and power costs with respect to the interior lighting systems, heating, cooling, ventilation, and hot water systems of the building by 50 percent or more in comparison to a reference building which meets the minimum requirements of Standard 90.1–2007 using methods of calculation under subsection (d)(2).

(2) Standard 90.1–2007

The term "Standard 90.1–2007" means Standard 90.1–2007 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America (as in effect on the day before the date of the adoption of Standard 90.1–2010 of such Societies).

(d) Special rules

(1) Partial allowance

(A) In general

Except as provided in subsection (f), if-

- (i) the requirement of subsection (c)(1)(D) is not met, but
- (ii) there is a certification in accordance with paragraph (6) that any system referred to in subsection (c)(1)(C) satisfies the energy-savings targets established by the Secretary under subparagraph (B) with respect to such system,

then the requirement of subsection (c)(1)(D) shall be treated as met with respect to such system, and the deduction under subsection (a) shall be allowed with respect to energy efficient commercial building property installed as part of such system and as part of a plan to meet such targets, except that subsection (b) shall be applied to such property by substituting "\$.60" for "\$1.80".

(B) Regulations

The Secretary, after consultation with the Secretary of Energy, shall establish a target for each system described in subsection (c)(1)(C) which, if such targets were met for all such systems, the building ¹ would meet the requirements of subsection (c)(1)(D).

(2) Methods of calculation

The Secretary, after consultation with the Secretary of Energy, shall promulgate regulations which describe in detail methods for calculating and verifying energy and power consumption and cost, based on the provisions of the 2005 California Nonresidential Alternative Calculation Method Approval Manual.

(3) Computer software

(A) In general

Any calculation under paragraph (2) shall be prepared by qualified computer software.

(B) Qualified computer software

For purposes of this paragraph, the term "qualified computer software" means software-

- (i) for which the software designer has certified that the software meets all procedures and detailed methods for calculating energy and power consumption and costs as required by the Secretary,
- (ii) which provides such forms as required to be filed by the Secretary in connection with energy efficiency of property and the deduction allowed under this section, and
- (iii) which provides a notice form which documents the energy efficiency features of the building and its projected annual energy costs.

(4) Allocation of deduction for public property

In the case of energy efficient commercial building property installed on or in property owned by a Federal, State, or local government or a political subdivision thereof, the Secretary shall promulgate a regulation to allow the allocation of the deduction to the person primarily responsible for designing the property in lieu of the owner of such property. Such person shall be treated as the taxpayer for purposes of this section.

(5) Notice to owner

Each certification required under this section shall include an explanation to the building owner regarding the energy efficiency features of the building and its projected annual energy costs as provided in the notice under paragraph (3)(B)(iii).

(6) Certification

(A) In general

The Secretary shall prescribe the manner and method for the making of certifications under this section.

(B) Procedures

The Secretary shall include as part of the certification process procedures for inspection and testing by qualified individuals described in subparagraph (C) to ensure compliance of buildings with energy-savings plans and targets. Such procedures shall be comparable, given the difference between commercial and residential buildings, to the requirements in the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

(C) Qualified individuals

Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary for such purposes.

(e) Basis reduction

For purposes of this subtitle, if a deduction is allowed under this section with respect to any energy efficient commercial building property, the basis of such property shall be reduced by the amount of the deduction so allowed.

(f) Interim rules for lighting systems

Until such time as the Secretary issues final regulations under subsection (d)(1)(B) with respect to property which is part of a lighting system-

(1) In general

The lighting system target under subsection (d)(1)(A)(ii) shall be a reduction in lighting power density of 25 percent (50 percent in the case of a warehouse) of the minimum requirements in Table 9.5.1 or Table 9.6.1 (not including additional interior lighting power allowances) of Standard 90.1-2007.

(2) Reduction in deduction if reduction less than 40 percent

(A) In general

If, with respect to the lighting system of any building other than a warehouse, the reduction in lighting power density of the lighting system is not at least 40 percent, only the applicable percentage of the amount of deduction otherwise allowable under this section with respect to such property shall be allowed.

(B) Applicable percentage

For purposes of subparagraph (A), the applicable percentage is the number of percentage points (not greater than 100) equal to the sum of-

(i) 50, and

(ii) the amount which bears the same ratio to 50 as the excess of the reduction of lighting power density of the lighting system over 25 percentage points bears to 15.

(C) Exceptions

This subsection shall not apply to any system-

(i) the controls and circuiting of which do not comply fully with the mandatory and prescriptive requirements of Standard 90.1-2007 and which do not include provision for bilevel switching in all occupancies except hotel and motel guest rooms, store rooms, restrooms, and public lobbies, or

(ii) which does not meet the minimum requirements for calculated lighting levels as set forth in the Illuminating Engineering Society of North America Lighting Handbook, Performance and Application, Ninth Edition, 2000.

(g) Regulations

The Secretary shall promulgate such regulations as necessary-

- (1) to take into account new technologies regarding energy efficiency and renewable energy for purposes of determining energy efficiency and savings under this section, and
- (2) to provide for a recapture of the deduction allowed under this section if the plan described in subsection (c)(1)(D) or (d)(1)(A) is not fully implemented.

(h) Termination

This section shall not apply with respect to property placed in service after December 31, 2016.

(Added [Pub. L. 109–58, title XIII, §1331\(a\), Aug. 8, 2005, 119 Stat. 1020](#) ; amended [Pub. L. 109–432, div. A, title II, §204, Dec. 20, 2006, 120 Stat. 2945](#) ; [Pub. L. 110–343, div. B, title III, §303, Oct. 3, 2008, 122 Stat. 3845](#) ; [Pub. L. 113–295, div. A, title I, §158\(a\), Dec. 19, 2014, 128 Stat. 4022](#) ; [Pub. L. 114–113, div. Q, title I, §190\(a\), title III, §341\(a\), \(b\), Dec. 18, 2015, 129 Stat. 3075](#) , [3113.](#))

AMENDMENTS

2015-Subsec. (c)(1)(B)(ii), (D). Pub. L. 114–113, §341(a), substituted "Standard 90.1–2007" for "Standard 90.1–2001".

Subsec. (c)(2). Pub. L. 114–113, §341(b)(1), amended par. (2) generally. Prior to amendment, text read as follows: "The term 'Standard 90.1–2001' means Standard 90.1–2001 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America (as in effect on April 2, 2003)."

Subsec. (f)(1). Pub. L. 114–113, §341(b)(2), (3), substituted "Table 9.5.1" for "Table 9.3.1.1", "Table 9.6.1" for "Table 9.3.1.2", and "Standard 90.1–2007" for "Standard 90.1–2001".

Subsec. (f)(2)(C)(i). Pub. L. 114–113, §341(b)(2), substituted "Standard 90.1–2007" for "Standard 90.1–2001".

Subsec. (h). Pub. L. 114–113, §190(a), substituted "December 31, 2016" for "December 31, 2014".

2014-Subsec. (h). Pub. L. 113–295 substituted "December 31, 2014" for "December 31, 2013".

2008-Subsec. (h). Pub. L. 110–343 substituted "December 31, 2013" for "December 31, 2008".

2006-Subsec. (h). Pub. L. 109–432 substituted "2008" for "2007".

EFFECTIVE DATE OF 2015 AMENDMENT

[Pub. L. 114–113, div. Q, title I, §190\(b\), Dec. 18, 2015, 129 Stat. 3075](#) , provided that: "The amendment made by subsection (a) [amending this section] shall apply to property placed in service after December 31, 2014."

[Pub. L. 114–113, div. Q, title III, §341\(c\), Dec. 18, 2015, 129 Stat. 3113](#) , provided that: "The amendments made by this subsection [probably means this section, amending this section] shall apply to property placed in service after December 31, 2015."

EFFECTIVE DATE OF 2014 AMENDMENT

[Pub. L. 113–295, div. A, title I, §158\(b\), Dec. 19, 2014, 128 Stat. 4022](#) , provided that: "The amendment made by this section [amending this section] shall apply to property placed in service after December 31, 2013."

EFFECTIVE DATE

Pub. L. 109–58, title XIII, §1331(d), Aug. 8, 2005, 119 Stat. 1024 , provided that: "The amendments made by this section [enacting this section and amending sections 263, 312, 1016, 1245, and 1250 of this title] shall apply to property placed in service after December 31, 2005."

¹ *So in original.*