



## 179D Case Study - Office Building

The Inflation Reduction Act of 2022 expanded the Internal Revenue Code Section 179D. It allows building owners an immediate tax deduction for placed-in-service energy-efficient commercial building property (EECBP) or energy-efficient commercial building retrofit property (EEBRP).

Building owners can take advantage of an immediate tax deduction, instead of long-term depreciation, for building lighting, HVAC, and envelope systems costs. An increased deduction may be available for increased energy savings or meeting prevailing wage and apprenticeship requirements.

The 179D deduction is based on building energy efficiency and square footage. Larger buildings have a more significant potential deduction. The maximum 179D deduction currently exceeds \$5.00 per square foot, with the deduction levels varying depending on the place-in-service year.

STRATCO Property Solutions and its partners offer a comprehensive solution that allows building owners to maximize their 179D deductions. This includes performing all necessary energy modeling and calculations and preparing filing documents. The team has performed 179D studies on more than 20,000 buildings nationally.

**Client Overview:** A mid-sized company in NYS with a 50,000-square-foot new construction office building aimed to enhance its energy efficiency. They undertook major upgrades, focusing on lighting and HVAC systems, to improve the building's performance and reduce operational costs.

**Objective:** The company sought to leverage the 179D tax deduction to alleviate the financial impact of their energy-efficient improvements and reduce overall tax liability.

### Upgrades Implemented:

- **LED Lighting:** The entire office building's lighting was upgraded to high-efficiency LED fixtures.
- **HVAC Technologies:** To optimize energy use, the HVAC system was modernized with Variable Air Volume (VAV) controls and Variable Frequency Drives (VFDs).

# EPA Act 179D Case Study

## New York Office Building

|                        |  |
|------------------------|--|
| Square Footage:        | 50,000   |
| Lighting Technologies: | LED Lighting                                     |
| HVAC Technologies:     | Variable Air Volume<br>Variable Frequency Drives |
| <b>179D Deduction:</b> | <b>\$ 90,000</b>                                 |



### 179D Tax Deduction:

- **Total Deduction Claimed:** \$90,000

This deduction was awarded for the qualifying energy-efficient improvements made to the building, in line with the IRS guidelines for the 179D tax deduction.

**Outcome:** The client successfully claimed a \$90,000 tax deduction under Section 179D, which significantly reduced their tax liability.

STRATCO's market niche in sourcing and obtaining State incentives combined with Federal incentives have been able to enhance investor returns. For more information on how we can enhance your capital stack, please contact Caoimhe [cb@stratcoproperty.com](mailto:cb@stratcoproperty.com), 929-353-2768 or reply to this email.

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