



Public Housing Energy Conservation Clearinghouse

New Tax Deduction for Energy Efficiency in Multifamily Buildings

PHAs that own multifamily residential buildings that are more than three floors above grade may be able to take advantage of new tax deductions for energy efficiency in commercial buildings, according to an IRS notice issued June 2, 2006. Deductions can be up to \$1.80 per square foot of building floor area for buildings that save 50% of the heating, cooling, ventilation, water heating, and interior lighting energy use of an identically modeled building that meets the minimum ASHRAE Standard 90.1-2001.

Partial deductions of \$0.60 per square foot can also be taken for improvements to one of three building systems: the building envelope (walls, insulation, windows, and doors), lighting, or heating and cooling. These systems must reduce total heating, cooling, ventilation, water heating, and interior lighting energy use by 16 2/3 percent, for a total annual energy savings of 50 percent for the whole building.

The energy-efficient property (either the entire building or a specific system) must be operational after December 31, 2005, and before January 1, 2008.

The PHA can take the deduction in the year the property was placed in service. The following information is required to compute the deduction:

- The square footage of the building
- The date the building or building system was placed in service
- A certification from a qualified and licensed engineer or contractor stating which targets have been met

The certification must include a field inspection after the property is placed in service to confirm that savings goals have been met. Certifiers must also provide the building owner with an explanation and list of the energy efficiency features of the building or system and the projected annual energy costs.

For IRS guidance:

<http://www.irs.gov/newsroom/article/0,,id=158395,00.html>

For design advice on how to meet whole building savings goals:

www.advancedbuildings.net

www.eere.energy.gov/buildings/highperformance

www.energydesignresources.com

For information on the commercial lighting tax incentive:

www.lightingtaxdeduction.org

www.advancedbuildings.net/lighting.htm

For additional information on the commercial building tax deductions:

www.efficientbuildings.org