

U.S. Department of Energy - Energy Efficiency and Renewable Energy Building Technologies Program

Tax Incentives for Commercial Buildings

On this page you'll find information about the tax deductions available for improving the energy efficiency of commercial buildings, as well as links to qualified software available for calculating these savings.

The Energy Policy Act of 2005 (EPACT) offered businesses tax deductions for the costs of improving the energy efficiency of commercial buildings. The Emergency Economic Stabilization Act of 2008 extended provisions in EPACT. The following tax incentives are available under this act.

Deduction of the Cost of Energy-Efficient Property Installed in Commercial Buildings

A tax deduction of up to \$1.80 per square foot is available for buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001. Partial deductions of up to \$.60 per square foot can be taken for measures affecting: the building envelope, lighting, or heating and cooling systems. This act extends the deduction through December 31, 2013.

Buildings must be within the scope of [ASHRAE Standard 90.1-2001](#) including addenda 90.1a-2003, 90.1b-2002, 90.1c-2002, 90.1d-2002, and 90.1k-2002 (in effect as of April 2, 2003) and within the control of the building designer. Retrofit of existing buildings is also eligible for the tax deduction.

Extension of Energy Investment Tax Credits

The 30% investment tax credits (ITC) for solar energy and qualified fuel cell properties are extended to January 1, 2017. The 30% ITC now also applies to qualified small wind energy property. The cap for qualified fuel cells increased to \$1,500 per half kilowatt of capacity. Finally, a new 10% ITC is available for combined heat and power systems and geothermal heat pumps.

Accelerated Depreciation for SmartMeters and Smart Grid Systems

Currently, taxpayers generally recover the cost of smart electric meters and smart electric grid equipment over a 20-year period. This act allows taxpayers to recover the cost of this property over a 10-year period, unless the property already qualifies for a shorter recovery schedule.

Additional Information

The following sites and publications will provide additional information. Some of the following documents are available as Adobe Acrobat PDFs. [Download Adobe Reader](#).

- *IRS Notice 2006-52, Deduction for Energy Efficient Commercial Buildings* ([PDF 91 KB](#))—The original IRS notice regarding EPACT.
- *Amplification of Notice 2006-52*—Additional information, posted in April 2008 by the IRS, to clarify the original notice.
- *Tax Breaks for Businesses, Utilities, and Governments*—A Department of Energy (DOE) Web site.
- *The Emergency Economic Stabilization Act of 2008: Energy Tax Incentives* ([PDF 48 KB](#))—A DEO summary of all tax incentives.
- *Energy Savings Modeling and Inspection Guidelines for Commercial Building Federal Tax Deductions* ([PDF 1.6 MB](#))—A National Renewable Energy Laboratory publication offering guidance on energy-efficient property for certification of the energy and power cost savings related to the EPACT.
- *Tax Deductions for Commercial Buildings* ([PDF 183 KB](#))—A DOE publication with more information about incentives for commercial building owners and businesses.

Qualified Software for Calculating Commercial Building Tax Deductions

DOE provides a list of [qualified software](#) for calculating commercial building energy and power cost savings that meet federal tax incentive requirements. In addition to the name and version of the software, the list includes detailed information provided by the software developer.

Note: Every effort is made here to provide accurate information on these tax incentives; however, a tax professional should be consulted on questions for specific situations.

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