



179D Today and Tomorrow

The Future of Green Building Tax Incentives





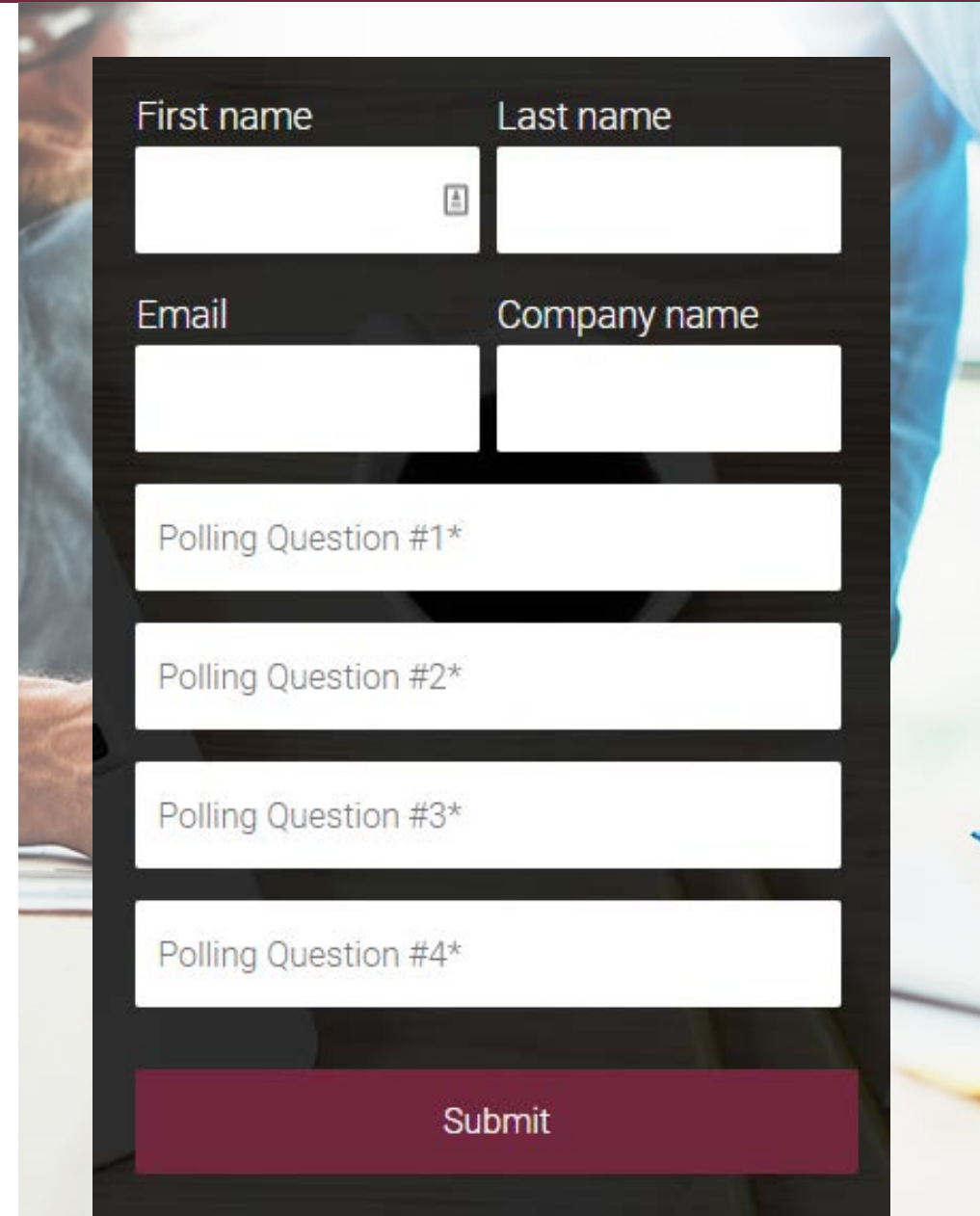
SCAN ME

- Please sign into the CPE with this link:
 - <https://info.kbkg.com/cpe-registration-david-turpin>
- The same link will be used to answer and track polling questions
- Use the Chat to answer any questions you have through the CPE
 - Download the slides from [KBKG.com/resources](https://www.kbkg.com/resources)

CPE LOG-IN AND POLLING QUESTIONS

Sign in here and keep this window open to answer the Polling Questions throughout the CPE Presentation.

<https://info.kbkg.com/cpe-registration-david-turpin>



A screenshot of a registration form with a dark background. The form contains the following fields and elements:

- First name** and **Last name** input fields.
- Email** and **Company name** input fields.
- Four **Polling Question** input fields, labeled #1* through #4*.
- A **Submit** button at the bottom.



SOLUTIONS FOR TAX PROFESSIONALS AND BUSINESSES
TAX CREDITS · INCENTIVES · COST RECOVERY

NATIONWIDE SERVICE | 877.525.462 | KBKG.COM



JILLIAN JONES

Senior Manager – 179D

[KBKG.com/management/Jillian-jones](https://www.kbkg.com/management/Jillian-jones)

877-525-4462 x127

Jillian.Jones@kbkg.com

ABOUT KBKG

Established in 1999 with offices in major markets throughout the US, KBKG is one of the oldest and largest independent providers of specialty tax studies in the country. By focusing exclusively on value-added tax services, we complement your traditional tax and accounting team.

SINGLE SOURCE SOLUTION

We are unique in the marketplace as we offer a single source solution for a number of specialty tax services. We provide you with a single point of contact who will interject the appropriate subject matter expert within our team as necessary. We help determine which tax programs benefit clients and stay committed to handling each relationship with care and diligence.

SEAMLESS TEAMWORK & COLLABORATION

Our ability to work seamlessly with your team is the reason so many tax professionals and businesses across the nation trust KBKG.

Our practice is staffed by full-time specialists with engineering, valuation, "green" building, estimating, and construction backgrounds as well as tax professionals, attorneys, engineers, and economists.

SERVICES

- R&D Tax Credits
- Employee Retention Tax Credits
- Cost Segregation for Buildings and Improvements
- Green Building Tax Incentives
- Transfer Pricing Services
- IC-DISC
- Fixed Asset Review
- Repair vs. Capitalization Review
- Employment Tax Credits

NATIONWIDE SOLUTIONS

KBKG has offices strategically placed nationwide to better serve our clients.

Our representatives, located all over the country, are experienced in the local markets and regions they support.



WEST

Pasadena
Woodland Hills
West Los Angeles



SOUTHEAST

Atlanta



SOUTH

Dallas – Fort Worth



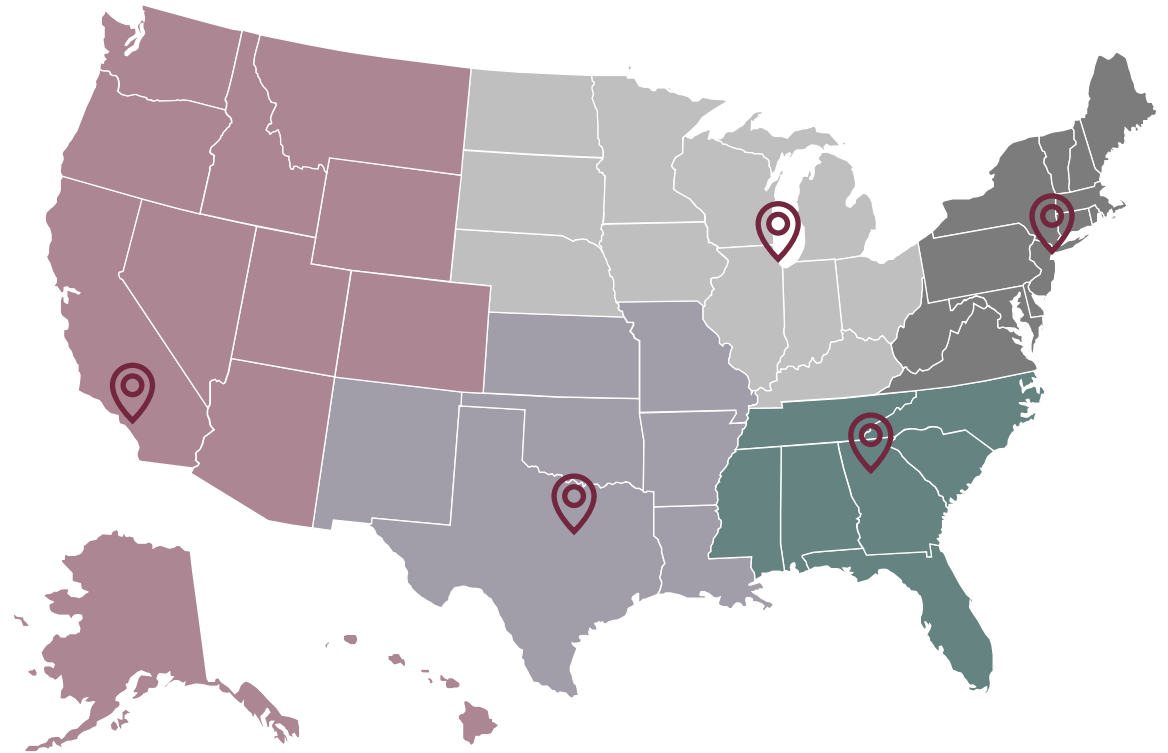
MIDWEST

Chicago



NORTHEAST

New York City
Philadelphia



To comply with NASBA standards for CPE, we will complete four Roll Calls during the presentation. For each Roll Call, please enter the answer in

<https://info.kbkg.com/cpe-registration-david-turpin>

Roll Call #1:
Type Your Full Name



179D - Today & Tomorrow
The Future of Green Building Tax Incentives
KBKG



179D Today &
Tomorrow

179D Explained

Inflation Reduction Act Changes

Retrofit Program

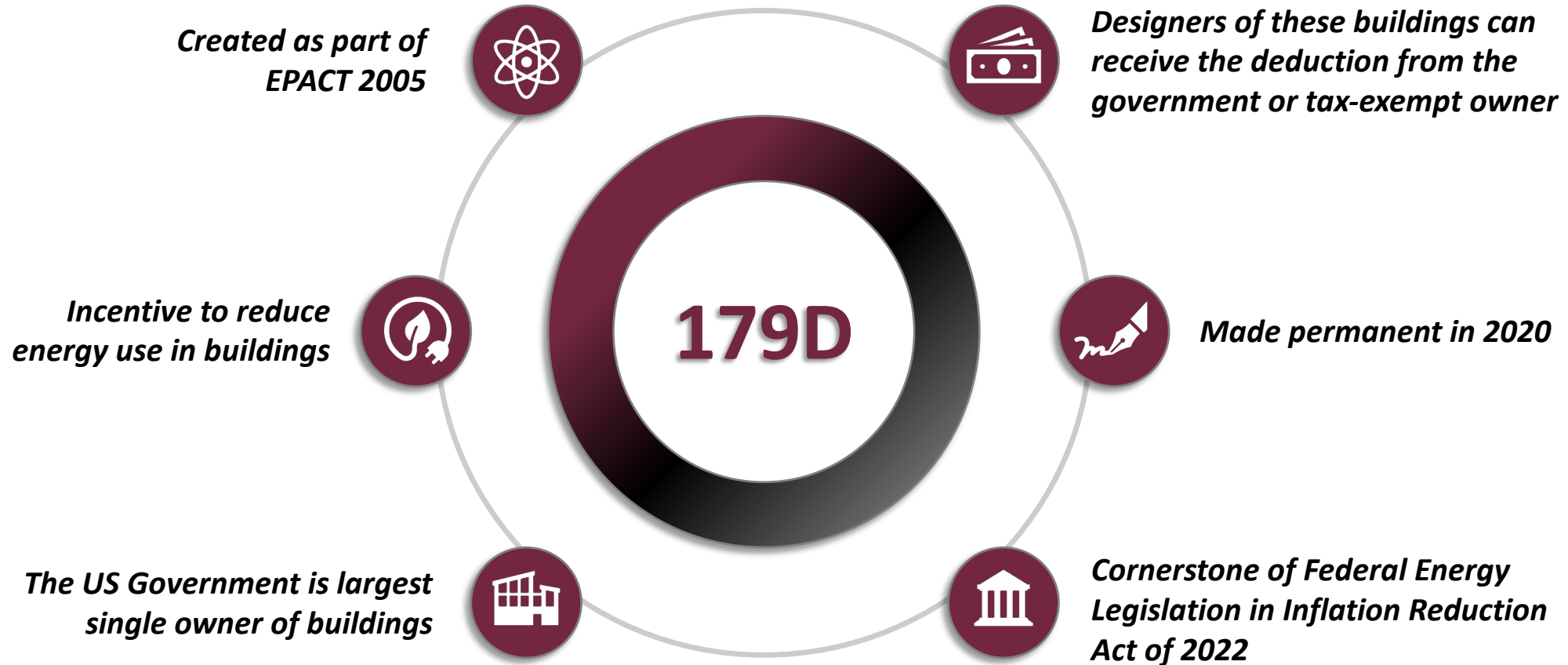
Qualification Requirements

Calculation Methods

Q & A



Overview of 179D





Summary of 179D Tax Deductions

Compliance Path		Savings Requirement	Tax Deduction			
			taxable years before 2021	taxable year beginning 2021	taxable year beginning 2022	taxable year beginning 2023*
Fully Qualifying Property		25%	na	na	na	
		50%	\$1.80/ft ²	\$1.82/ft ²	\$1.88/ft ²	
Partially Qualifying Property	Envelope	10%	\$0.60/ft ²	\$0.61/ft ²	\$0.63/ft ²	
	HVAC and HW	15%				
	Lighting	25%				
Interim Lighting Rule		25% - 40% lower lighting power density (50% for warehouses)	\$0.60/ft ²	\$0.61/ft ²	\$0.63/ft ²	



What does 179D look like in 2022 (as well as previous years)?

2022 and prior

Available to:

- Designers of government entities
- Commercial building owners

Prevailing Wages

Requirements:

NONE!

Benefits

Qualifications:

- Was made permanent in 2020
- The maximum allowable benefit is **\$1.88/sf**
- Partial allowances up to **\$0.60/sf** for single systems
- Interim lighting rule available up to **\$0.60/sf**



179D Today and
Tomorrow Webinar
| AGENDA

179D Explained

Inflation Reduction Act Changes

Retrofit Program

Qualification Requirements

Calculation Methods

Q & A



How does the Inflation Reduction Act Make 179D *more valuable*?

NEW Eligibility

Tax-exempt entities

- charitable organizations
- churches & religious organizations
- private schools & universities
- private foundations
- political organizations
- other non-profits
- Native American tribal governments
- Alaska Native Corporations

Prevailing Wages

Requirements

Required for Max Benefit
on Construction
1/29/2023 and later

Safe Harbor Exists

Benefit Changes

Significant increase!

- The Inflation Reduction Act expands both the impact and scope of the 179D tax deduction.
- Beginning January 1, 2023, the maximum allowable benefit increases **from \$1.88/sf to \$5.00/sf** of building area.



How does the Inflation Reduction Act Make 179D *more valuable*?

Allocating Entities

- Federal, State, Local Governments
- charitable organizations
- churches & religious organizations
- private schools & universities
- private foundations
- political organizations
- other non-profits
- Native American tribal governments
- Alaska Native Corporations

Allocations are limited and typically first come first serve.

High likelihood of reduced or no benefit for last to act Designer





The benefit for the changes are **significant**

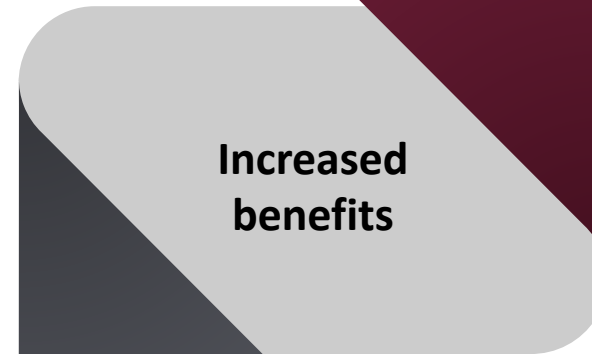
The maximum allowable benefit increases from **\$1.88/sf** to **\$5.00/sf** of building area,

a **165% benefit INCREASE**

In 2022 and prior, a 250k sf middle school qualified for **\$470 thousand**



Increased benefits



+2023

In 2023+ the same middle school is now **\$1.25 MILLION!**



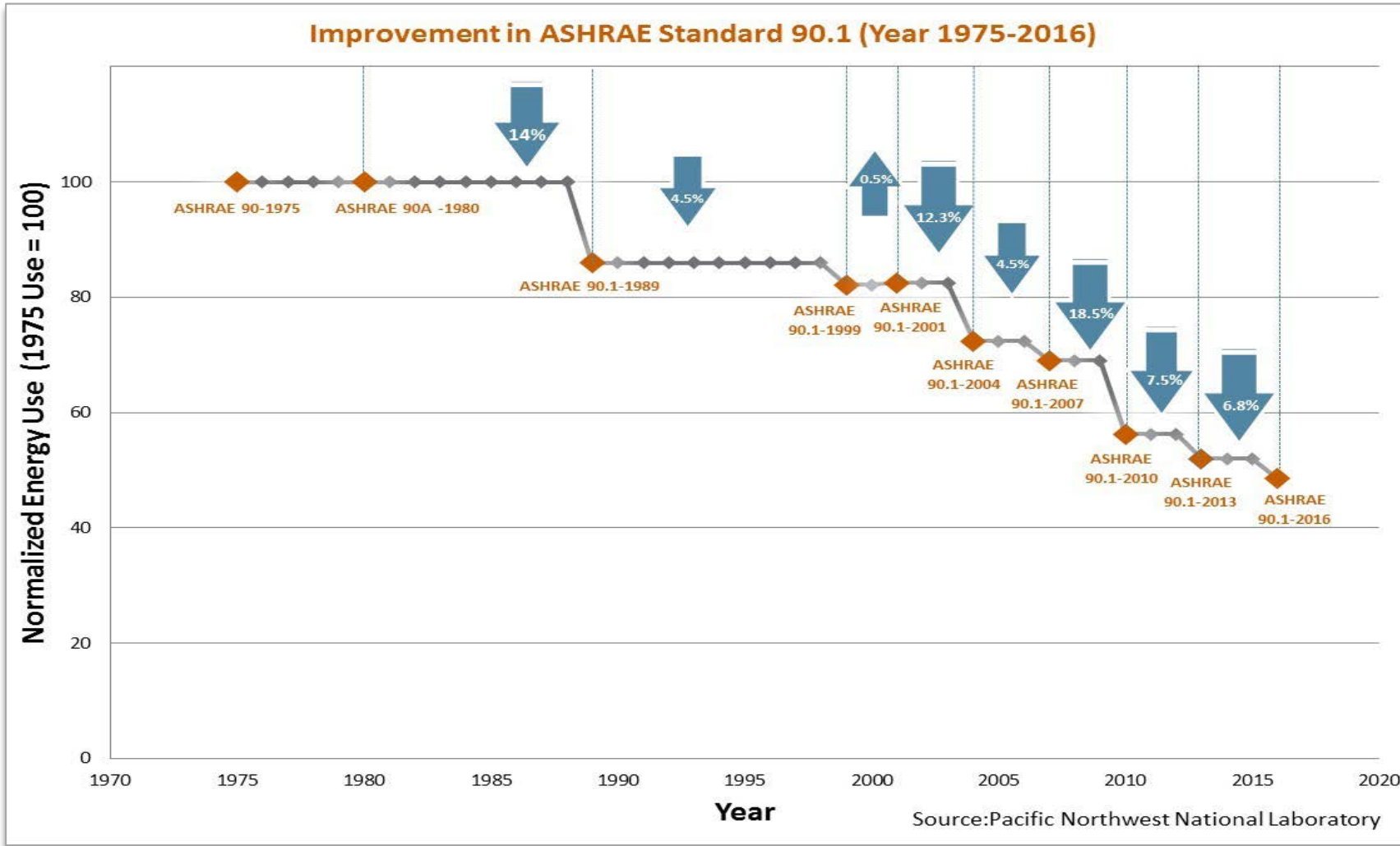
Summary of 179D Tax Deductions in detail

Compliance Path		Savings Requirement	Tax Deduction			
			taxable years before 2021	taxable year beginning 2021	taxable year beginning 2022	taxable year beginning 2023*
Fully Qualifying Property		25%	na	na	na	\$2.5/ft ²
		50%	\$1.80/ft ²	\$1.82/ft ²	\$1.88/ft ²	\$5.00/ft ²
Partially Qualifying Property	Envelope	10%	\$0.60/ft ²	\$0.61/ft ²	\$0.63/ft ²	na
	HVAC and HW	15%				
	Lighting	25%				
Interim Lighting Rule		25% - 40% lower lighting power density (50% for warehouses)	\$0.60/ft ²	\$0.61/ft ²	\$0.63/ft ²	na

*with prevailing wages

Example Case Study:

- 3 New Construction High Schools each at 500,000 sf
- 2022 year, Total Potential Deduction of **\$2,820,000 at 1.88 \$/sf**
- 2023+, Total Potential Deduction of **\$7,500,000 at 5.00 \$/sf**



ASHRAE 90.1 Energy Standards thresholds are increasing over time,

making it more challenging to qualify projects.

To comply with NASBA standards for CPE, we will complete four Roll Calls during the presentation. For each Roll Call, please enter the answer in

<https://info.kbkg.com/cpe-registration-david-turpin>

Roll Call #2:
Type Your Email Address

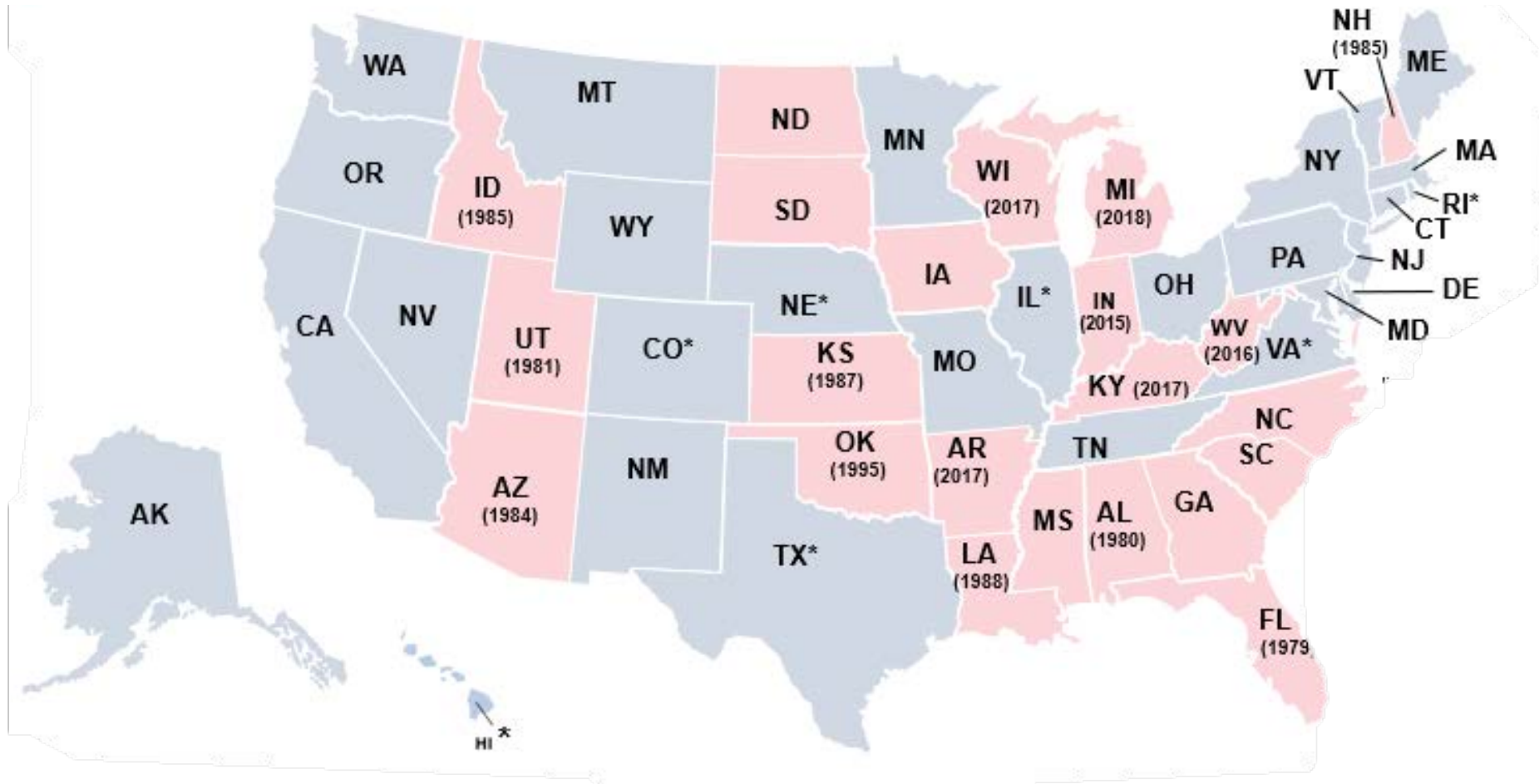


Prevailing Wages

- 01** A prevailing wage rate is a basic hourly paid rate set by the Department of Labor (DOL) - that focuses on the workers' specific craft.
- 02** The rate is determined by the type of work and the location of the project.
- 03** The wages are based on average wages employees with similar roles receive in the area.



State Prevailing Wage Map





179D Today and
Tomorrow Webinar
| AGENDA

179D Explained

Inflation Reduction Act Changes

Retrofit Program

Qualification Requirements

Calculation Methods

Q & A



Two paths of 179D qualification

Traditional 179D

Strengthened via Inflation Reduction Act

Energy Efficient Commercial Building Property

- No More Partial Qualifications or Interim Lighting Qualifications
- Whole Building Only
- Energy Cost Savings compared to ASHRAE 90.1 Compliant Baseline Model
- Designed Building vs Simulated Building

Created via Inflation Reduction Act

Retrofit 179D

Alternative Deduction – Retrofit Property Retrofit

- Does not need to exceed ASHRAE Standards
- Focused on reductions compared to past actual usage
- No Energy Cost Component
- New Energy Usage vs Old Energy Usage
- Buildings Can Reclaim benefit
 - 3 Years for Owners
 - 4 Years for Tax Exempt



What is the Alternative Deduction – Retrofit Property?

- 01** Building Must be at least 5 years old
- 02** Requires a plan to reduce Site Energy Use Intensity by at least 25%
- 03** Comparison of actual historic use compared to post retrofit use
- 04** Can be difficult for buildings with high process use



179D Today and
Tomorrow Webinar
| AGENDA

179D Explained

Inflation Reduction Act Changes

Retrofit Program

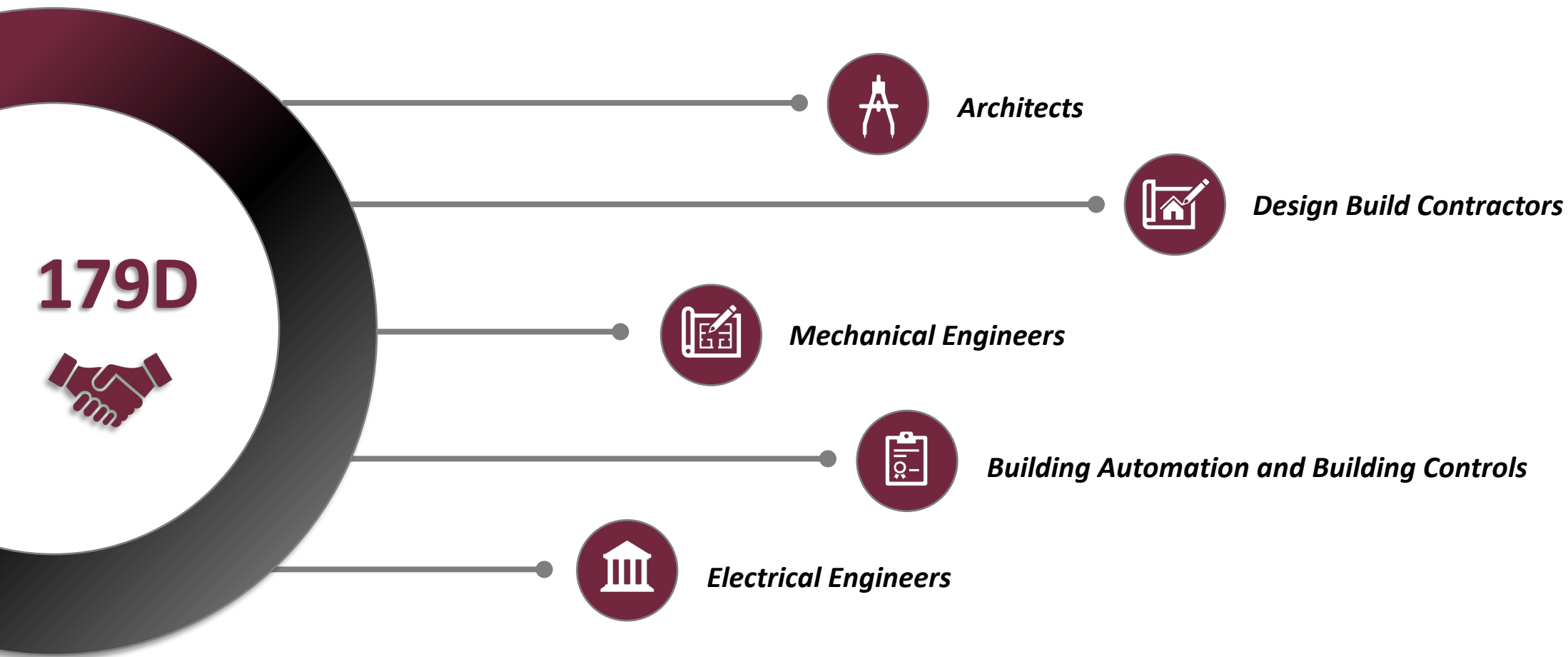
Qualification Requirements

Calculation Methods

Q & A



What types of companies can claim 179D?



To comply with NASBA standards for CPE, we will complete four Roll Calls during the presentation. For each Roll Call, please enter the answer in

<https://info.kbkg.com/cpe-registration-david-turpin>

Roll Call #3:
Type KBKG



What types of projects qualify?

01

Heating, Ventilating, Air
Conditioning Systems and
controls



**HVAC
Systems**

02

Building Lighting and
Daylighting Systems



Lighting

03

Exterior Building Envelope
Systems



**Building
Envelope**



What types of buildings can claim 179D?

Federal, State, and Local Government



School and University



Tribal Lands (New!)



Non-Profit Projects (New!)



Commercial Buildings owned by your company



179D





179D Today and
Tomorrow Webinar
| AGENDA

179D Explained

Inflation Reduction Act Changes

Retrofit Program

Qualification Requirements

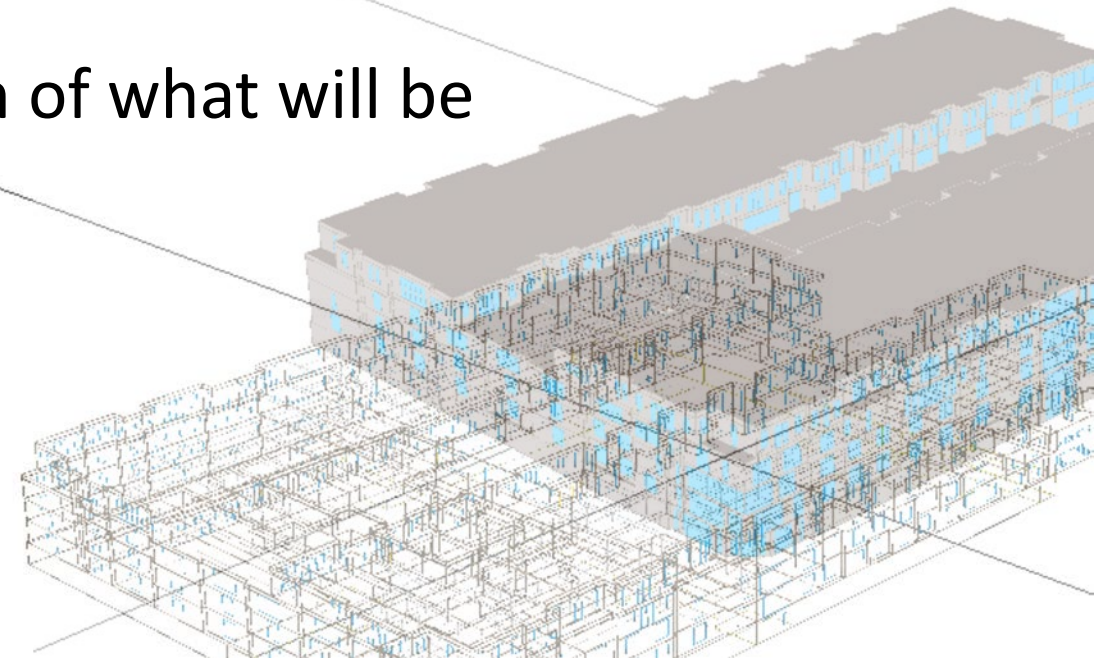
Calculation Methods

Q & A



Calculation Methods – What is an Energy Model?

- 01** 3D simulation of every hour of building energy use across all 8760 hours of the year
- 02** All aspects of Heating, Ventilation, Air Conditioning, Lighting, Insulation, and internal loads are considered
- 03** Creates an apples-to-apples comparison of what will be versus what could be





Case Study – Mechanical engineer across three buildings

Building Size	Year Complete	Qualification Amount	Deduction Amount
175,000	2020	1.80 \$/sf	\$315,000
320,000	2023	4.50 \$/sf	\$1,440,000
215,000	2023	5.00 \$/sf	\$1,075,000
Total Deductions			\$2,830,000

To comply with NASBA standards for CPE, we will complete four Roll Calls during the presentation. For each Roll Call, please enter the answer in

<https://info.kbkg.com/cpe-registration-david-turpin>

Roll Call #4:
Type Your favorite dessert



179D Today and
Tomorrow Webinar
| AGENDA

179D Explained

Inflation Reduction Act Changes

Retrofit Program

Qualification Requirements

Calculation Methods

Q & A



KBKG

Questions?

CPE CERTIFICATES



KBKG

**Please allow 2-3 weeks for your CPE certificates to be available*

Login to solutions.kbkg.com

- Get CPE certificates

Questions about your certificates?

877.525.4462 x162
webinars@kbkg.com

CPA Academy

Login to your account at CPAacademy.org

- Fill out evaluation form
- Get CPE certificates

Questions about your certificates?

877.510.5302

info@cpaacademy.org