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Tax Credits for Home Builders

Home builders are eligible for a $2,000 tax credit for a new energy efficient home that achieves 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements. At least 1/5 of the energy savings must come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards.

There is also a $1,000 tax credit to the producer of a new manufactured home achieving 30% energy savings for heating and cooling over the 2004 IECC and supplements (at least 1/3 of the savings must come from building envelope improvements), or a manufactured home meeting the requirements established by EPA under the ENERGY STAR program.

Please note that, with the exception of the tax credit for an ENERGY STAR qualified manufactured home, these tax credits are not directly linked to ENERGY STAR. Therefore, a builder of an ENERGY STAR qualified home may be eligible for a tax credit but it is not guaranteed.

These tax credits apply to new homes located in the United States whose construction is substantially completed after August 8, 2005 and that are acquired from the eligible contractor for use as a residence from January 1, 2006 through December 31, 2009.

Manufactured Home Requirements

An ENERGY STAR qualified manufactured home is a home that has been designed, produced, and installed in accordance with ENERGY STAR's guidelines by an ENERGY STAR certified plant.

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Federal Energy tax incentives in the American Recovery and Reinvestment Act of 2009

Long-term extension and modification of renewable energy production tax credit. The new legislation extends the placed-in-service date for wind facilities for three years (through December 31, 2012). It also extends the placed-in-service date through December 31, 2013 for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities.

Temporary election to claim the investment tax credit in lieu of the production tax credit. Facilities that produce electricity from solar facilities are eligible to take a 30% investment tax credit in the year the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit, payable over a ten-year period. The Act provides a temporary election to claim the investment tax credit in lieu of the production tax credit.

Business energy credit. The new law enhances the business energy credit by eliminating the cap on small wind property and repealing the basis reduction requirement for subsidized energy financing.

Energy-efficient existing homes. The new law extends the tax credit for improvements to energy-efficient existing homes through 2010. For 2009 and 2010, the amount of the tax credit is increased from 10% to 30% of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements during the tax year. The property-by-property dollar caps on the tax credit are also eliminated, and an aggregate $1,500 cap applies to all property qualifying for the credit.

Residential energy property. The new law removes the dollar limitations on certain energy credits, e.g., for qualified small wind energy property ($4,000 cap); for qualified solar water heating property ($2,000 cap); and qualified geothermal heat pumps ($2,000).

Tax credits for alternative fuel pumps. The new law provides an increase for 2009 and 2010 in the 30% alternative refueling property credit for businesses (capped at $30,000) to 50% (capped at $50,000).

Credit for investment in advanced energy facilities. The new law establishes a new manufacturing investment tax credit for investment in advanced energy facilities, such as facilities that manufacture components for the production of renewable energy, advanced battery technology, and other innovative next-generation green technologies.

Grants in lieu of electricity production credit and energy credit. Under current law, taxpayers are allowed to claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. These tax credits help attract private capital to invest in renewable energy projects. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the new law allows taxpayers to receive a grant from the Treasury Department in lieu of tax credits. Most facilities are eligible for a 30% grant, but some (geothermal, qualified microturbine, combined heat and power, and geothermal heat pump) qualify only for a smaller, 10% grant. To earn a grant, the facility must be placed in service in 2009 or 2010, or construction must begin in either of those years and must be completed prior to the termination of the credit.

Vehicles. The new law provides a tax credit for purchases of plug-in electric drive vehicles ranging from $2,500 to $7,500 depending on battery capacity. The new law also restores and updates the electric vehicle credit for plug-in electric vehicles that would not otherwise qualify for the larger plug-in electric drive vehicle credit and provides a tax credit for plug-in electric drive conversion kits.

More funding for bonds. The new law authorizes additional funds for new clean renewable energy bonds and qualified energy conservation bonds.

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Federal Tax Incentives

Energy Efficient Commercial Buildings Deduction

Energy Policy Act of 2005 added Internal Revenue Code Section 179D

Type of Property:	Commercial buildings
Type of Expenditures:	○ Interior lighting systems ○ Heating, cooling, ventilation, hot water systems, or ○ Building envelope
Energy Efficient Property Examples:	Controls/Sensors, Chillers, Furnaces, Boilers, Heat pumps, Air conditioners, CHP/Cogeneration, Caulking/Weather-Stripping, Duct/Air sealing, Enhanced building insulation, Windows (Low E), Doors, Siding, Highly reflective roofs, Building management systems
When Allowed:	Year in which the property is placed into service
Location of Property:	United States
Placed in Service Dates:	January 1, 2006 and prior to January 1, 2014
Amount:	$0.30 - $1.80 per square foot, depending on technology and amount of energy reduction (not to exceed actual cost of installation)
Maximum Incentive:	$1.80 per square foot
Certification Requirements:	Use qualified software and eligible certifier

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Energy Efficient Commercial Buildings Deduction

Summary:

The Energy Policy Act of 2005 provides a deduction for energy-efficient commercial building property expenditures made by a taxpayer. The building must be located within the United States and must be placed in service between January 1, 2006 and December 31, 2013.

The Act provides a tax deduction of up to $1.80 per square foot for investment in energy-efficient commercial building property as part of new construction or renovation. The amount of the deduction is limited to the lesser of (1) $1.80 per square foot of the building or (2) the cost to install the "energy efficient commercial building property".

Energy-efficient commercial building property is defined generally as property that is certified to reduce total annual energy and power costs by at least 50% compared to a building satisfying a standard published by the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America (ASHRAE Standard 90.1-2001). Energy savings must be calculated using qualified computer software approved by the IRS and obtain a certification by an eligible certifier (must meet guidelines of the National Renewable Engineering Laboratory).

In the case of a building that does not meet the overall building requirement of a 50% energy savings, a partial deduction is allowed with respect to each separate building system that comprises energy efficient property. Deductions of $0.60 per square foot are available to owners of building in which individual lighting, building envelope, or heating and cooling systems meet target levels that would reasonably contribute to an overall building savings of 50% if additional systems were installed. The IRS modified the June 2006 targets on March 2008. A taxpayer may substitute the targets as 20% interior lighting, 20% HVAC & hot water, and 10% building envelope.

Building owners are encouraged under the law to focus first on lighting systems for two reasons: first, their ease and availability of upgrading, and second, the known achievements in energy efficiency that will be gained. In the case of a lighting system (including the retrofit of an existing system), the system energy savings target for the lighting system is deemed to be met by a reduction in lighting power density of 40 percent (50 percent in the case of a warehouse) of the minimum requirements in Table 9.3.1.1 or Table 9.3.1.2 of ASHRAE/IESNA Standard 90.1-2001 (as in effect on April 2, 2003).

In the case of a lighting system that reduces lighting power density by 25 percent, a partial deduction of $0.30 per square foot is allowed. A pro-rated partial deduction is allowed in the case of a lighting system that reduces lighting power density between 25 and 40 percent. Certain lighting level and lighting control requirements must also be met in order to qualify for the partial interim lighting deductions.

The deductions are available primarily to building owners, although tenants may be eligible if they make construction expenditures. In the case of energy efficient systems installed on or in government property, tax deductions will be given to the person primarily responsible for designing the property in lieu of the public entity. Deductions are taken in the year in which the property is placed into service.

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Virginia Tax Incentives

Property Tax Assessment for Energy Efficient Buildings:

Summary:

In March 2008, Virginia enacted legislation that would allow local jurisdictions to assess the property tax of energy efficient buildings at a reduced rate. Under this law, eligible energy-efficient buildings, not including the real property on which they are located, may be considered a separate class of property for local taxation purposes. Accordingly, the governing body of any county, city or town may, by ordinance, allow a special assessment of the property taxes for this class of property. An energy-efficient building is defined as any building that exceeds the energy efficiency standards of the Virginia Uniform Statewide Building Code by 30%; meets performance standards of the Green Globes Green Building Rating System, the Leadership in Energy and Environmental Design (LEED) System or the EarthCraft House Program; or qualifies as an Energy Star home under federal Energy Star criteria.

Date Enacted: 3/11/08

Applicable Sectors: Commercial, Industrial, Residential, Multi-Family Residential, Low-Income Residential, Agricultural, Institutional

Property Tax Exemption for Solar:

Summary:

Virginia allows any county, city or town to exempt or partially exempt solar energy equipment or recycling equipment from local property taxes. Residential, commercial or industrial property is eligible. The statute broadly defines solar energy equipment as any that is "designed and used primarily for the purpose of providing for the collection and use of incident solar energy for water heating, space heating or cooling or other application which would otherwise require a conventional source of energy." Recycling equipment is defined as equipment which is "integral to the recycling process and for use primarily for the purpose of abating or preventing pollution of the atmosphere or waters."

Cities and counties currently offering an exemption include: Albemarle, Alexandria, Charlottesville, Chesterfield, Dinwiddie, Fairfax, Falls Church, Hampton, Hanover, Henrico, Isle of Wight, King and Queen, Loudoun, Lynchburg, Prince William, Pulaski, Richlands, Roanoke, Spotsylvania, Warren and Wise.

Date Enacted: 1/1/1977

Applicable Sectors: Commercial, Industrial, Residential

Contact:

Taxpayer Assistance - Virginia
Virginia Department of Taxation
PO Box 1880
Richmond, VA 23218-1880
Phone: (804) 367-8031
E-Mail: tax-busqtns@state.va.us
Web site: http://www.tax.virginia.gov/

Commercial Building Tax Deduction

Accelerated Tax Savings For Energy Efficient 'Green' Buildings

The Commercial Building Tax Deduction (CBTD) gives building owners a tax benefit of as much as $1.80 per sqft for qualifying energy-efficient improvements, effectively lowering the investment required to build green, update or replace an outmoded system. This accelerated tax deduction creates a genuine financial incentive at a time when building owners could really use one.

Property Types:

- Available for new construction and existing buildings such as retailers, distribution centers or warehouses, hotels, parking garages, industrial/ manufacturing facilities, office buildings, and apartments (4 or more stories)
- Available for tenant-owned improvements, rental apartment buildings 4 stories or more, and primary designers of government-owned buildings

Square Footage	Lighting Minimum Deduction $.30/sqft	Lighting Maximum Deduction $.60/sqft	HVAC Maximum Deduction $.60/sqft	Building Envelope Maximum Deduction $.60/sqft	Building Maximum Deduction $1.80/sqft
75,000	$22,500	$45,000	$45,000	$45,000	$135,000
100,000	$30,000	$60,000	$60,000	$60,000	$180,000
250,000	$75,000	$150,000	$150,000	$150,000	$450,000
500,000	$150,000	$300,000	$300,000	$300,000	$900,000
1,000,000	$300,000	$600,000	$600,000	$600,000	$1,800,000

Maximize Your Tax Benefits:

Our CBTD Green Building Team understands the Leadership in Energy and Environmental Design (LEED) Green Building Rating System™. Our tax professionals confer with building design teams to discuss improved ROI, either for new structures or new systems (for example, solar and geothermal) in existing facilities.

- Compliance and certification services: Energy-efficient Building certification to qualify for tax benefits
- Energy-efficient building incentives review: Identify unclaimed benefits for completed projects
- Research and development credits: Federal and state research credits may be available for cutting-edge or patentable sustainability efforts

Do You Qualify – Best Cases:

- Deductions based on improvements over ASHRAE 90.1 2001
- Energy-efficient improvements must be depreciable assets
- Available for property located in the U.S. and placed in service after December 31, 2005
- 75,000 sqft building or greater

Key Points:

- Accelerated deduction: allows for immediate expensing of costs otherwise capitalized and recovered through depreciation over 27.5 or 39 years
- Available for tenant-owned improvements; rental apartment buildings (4 stories or more); designers of government-owned buildings
- Property types: retailers, distribution centers, hotels, parking garages, industrial facilities, office buildings, apartments (4 stories +)
- For property placed in service after December 31, 2005
- Available for new construction and existing buildings
- Incentives for: lighting, HVAC, building envelope

We Can Help:

We provide Energy-Efficient Commercial Building Tax Deduction Certification (per IRS requirements to claim the deduction) to help companies pay less tax and save more money. If you believe you qualify for this deduction and would like to increase your cash flow, please feel free to contact us today.

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Summary of Experience

Nancy Hall's areas of expertise includes working with clients in real estate, construction, small businesses, trusts and individual taxation. She began her accounting career in 1983 and is licensed to practice accounting in Virginia, North Carolina and South Carolina.

Professional Affliations

- American Institute of Certified Public Accountants
- Virginia Society of Certified Public Accountants
- Tidewater Builders Association
- Association of General Contractors - Tidewater Chapter

Community Involvement

- The Beach Fund (The Hampton Roads Foundation) Steering Committee
- EquiKids Board of Directors (Treasurer)

Published Articles

- "Look-through lowdown," *Inside Business*, October 23,-29, 2006
- "Three steps to fix 'profit fade'," *Inside Business*, July 10-16, 2006
- "Contractors must know all accounting options," *Inside Business*, November 28-December 4, 2005

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Summary of Experience

Cathy A. Harris, CPA, is the National Director of The Cost Segregation Group. With thirteen years of experience as a Certified Public Accountant, Ms. Harris now specializes in cost segregation and real estate transactions. Over the last eight years, she has developed and is responsible for over 600 cost segregation projects with asset values in excess of $12.4 billion.

Ms. Harris has led seminars nationwide for CPA practices, attorneys, property owners and managers, and bankers. She created a curriculum and has provided classroom instruction across the country to CPAs and engineers who were looking to provide cost segregation as an additional service offering. Her expertise in cost segregation studies encompasses industries such as hotels, retail centers, fast food and restaurants, manufacturing and warehouse facilities, health care, automobile sales and repair, apartment complexes, shipyards, marinas, and all types of office buildings. She is one of the authors of the book, *Practical Guide to Cost Segregation* (published by Commerce Clearing House) and has authored numerous articles regarding cost segregation. She is a former recipient of Virginia Business magazine's "Super CPAs" award.

During her professional career, Ms. Harris obtained a diverse background in all facets of the tax environment including specialization in tax areas including real estate taxation, like-kind exchanges, medical practice taxation, multi-state taxation, and planning and research in the sales and use tax area. Her current focus is on real estate and cost segregation.

Ms. Harris received her Bachelors degree from Old Dominion University. She is a member of the American Society of Cost Segregation Professionals, the International Council of Shopping Centers, the American Institute of Certified Public Accountants and the Virginia Society of CPAs, as well as a member of the Commercial Real Estate Women's Network and the Hampton Roads Association for Commercial Real Estate. She volunteers with various charitable organizations and is active with her local chapter of The United Way, serving on the executive committee of the Young Leaders Society.