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# Instructions for Form 7205

(December 2022)

## Energy Efficient Commercial Buildings Deduction

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 7205 and its instructions, such as legislation enacted after this form and instructions were published, go to [IRS.gov/Form7205](https://www.irs.gov/Form7205).

### What's New

Form 7205 is a new form that is used to claim the deduction for energy efficient commercial building property placed in service before January 1, 2023. Taxpayers with a short tax year beginning in 2023 and ending in 2023 that place qualifying property in service during this period, see [Who Must File](#) below.

## General Instructions

### Purpose of Form

Use Form 7205 to:

- Calculate and claim the deduction under section 179D for qualifying energy efficient commercial building property placed in service during the tax year;
- Identify yourself as a designer or the building owner;
- Provide information on the person performing the certification; and
- Provide information on the person completing the allocation.

### Who Must File

Individuals and business entities that qualify to claim the deduction for qualifying energy efficient commercial building property (EECBP) placed in service during the tax year must file Form 7205 to claim the deduction.

If filing Form 7205 for a short tax year beginning in 2023 and ending in 2023, and the 2023 form is not available, use Form 7205 (December 2022), taking into account any tax law changes for section 179D that are effective for tax years beginning after December 31, 2022. Attach Form 7205 and a statement showing the calculation of the deduction.

### Additional Information

For more information, see section 179D. Also see the following.

- [Notice 2006-52](#), 2006-26 I.R.B. 1175, available at [IRS.gov/irb/2006-26\\_IRB#NOT-2006-52](https://www.irs.gov/irb/2006-26_IRB#NOT-2006-52).
- [Notice 2008-40](#), 2008-14 I.R.B. 725, available at [IRS.gov/irb/2008-14\\_IRB#NOT-2008-40](https://www.irs.gov/irb/2008-14_IRB#NOT-2008-40).
- [Notice 2012-26](#), 2012-17 I.R.B. 847, available at [IRS.gov/irb/2012-17\\_IRB#NOT-2012-26](https://www.irs.gov/irb/2012-17_IRB#NOT-2012-26).

### Definitions

**Energy efficient commercial building property (EECBP)** is property that meets the following criteria:

- Is depreciable property;
- Is installed on or in a building located in the United States, and within the scope of Reference Standard 90.1 (defined below);
- Is installed as part of the interior lighting systems, heating, cooling, ventilation, and hot water systems, or the building envelope; and
- Is certified as being installed as part of a plan designed to reduce the total annual energy and power costs with respect to the interior lighting systems, heating, cooling, ventilation, and hot water systems of the building by 50% or more in comparison to a reference building which meets the minimum requirements of Reference Standard 90.1.

**Reference Standard 90.1** is the most recent Standard 90.1 published by the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America which has been affirmed by the Secretary, after consultation with the Secretary of Energy, no later than the date that is 2 years before the date that construction of such property begins.

**Building square footage** is the sum of the floor areas of the conditioned spaces within the building, including basements, mezzanine, and intermediate-floored tiers, and penthouses with headroom height of 7.5 feet or greater. Building square footage is measured from the exterior faces of exterior walls or from the centerline of walls separating buildings, but excludes covered walkways, open roofed-over areas, porches and similar spaces, pipe trenches, exterior terraces or steps, chimneys, roof overhangs, and similar features.

### Special Rules

A certification completed by a qualified individual is required for both building owners and designers to claim the deduction under section 179D for EECBP. The certification must meet the requirements specified in [Notice 2006-52](#), Section 4.

A **qualified individual** is an individual that:

- Is not related to the person or entity claiming the deduction;
- Is an engineer or contractor that is properly licensed as a professional engineer or contractor in the jurisdiction in which the building is located; and
- Has represented in writing that he or she has the requisite qualifications to provide the certification required under [Notice 2006-52](#), Section 4, or to perform the inspection and testing described in [Notice 2006-52](#), Section 4.05.

An allocation of the EECBP deduction to the designer of a government-owned building must be in writing and meet the requirements of [Notice 2008-40](#), Section 3.04, in order for the designer to claim the deduction.

## Specific Instructions

**Note.** If claiming the EECBP deduction for more than four properties, complete and attach as many Forms 7205 as needed to list them. However, complete Part II, line 3 (for total section 179D deduction) on only one Form 7205. The line 3 amount on that form should include the combined total for all properties reported on all Forms 7205. See the instructions for Part II, line 3.

### Who Is Claiming the Deduction

At the top of Form 7205, check the status that applies to the person claiming the deduction. Check **only one** status. Select either building owner or designer of energy efficient commercial building property (EECBP).

**Building Owner.** Check the “Building owner” box if you are the owner of the building and are claiming the deduction for qualifying property installed on or in your building.

**Designer of energy efficient commercial building property (EECBP).** In the case of EECBP installed on or in property owned by a federal, state, or local government or a political subdivision thereof, the deduction may be allocated to the person primarily responsible for designing the property in lieu of the owner of such property. Check the “Designer” box if all the following are true.

- You are the person primarily responsible for designing the EECBP (the designer);
- You created the technical specifications for installation of the EECBP within a government-owned building. A person that merely installs, repairs, or maintains the property is not a designer; and
- The government building owner provided you a written statement allocating the deduction to you.

## Part I—Building and EECBP Information

### Line 1, Column (a)

Enter the name, street address, city or town, state, and ZIP code of building(s) on or in which the EECBP is installed. Keep buildings separated on lines A, B, C, and D.

### Line 1, Column (b)

Enter the date the property was placed in service.

### Line 1, Column (c)

Enter the computed energy savings percentage for the applicable building systems, rounded to two decimal places. Each column corresponds to a specific system of EECBP: A = All systems; E = Building envelope; H = Heating, cooling, ventilation, and hot water; L = Interior lighting. The energy savings percentage entered is to be computed using the computation methods specified in [Notice 2006-52](#). If the total energy savings is 50% or

greater using the regular method, the All systems, or “A” column may be used. If 50% is not reached, list each system separately among the “E,” “H,” and/or “L” columns.

**Interim lighting rule.** If using the interim lighting rule, enter the computed interim lighting applicable percentage defined in [Notice 2006-52](#), Section 2.03(2)(b)(ii). Do not enter the reduction in power density in column 1(c).

If only the reduction in power density is known, use the worksheet below to compute the interim lighting applicable percentage. Enter the computed amount in column 1(c) if the interim lighting rule is used.

1. Enter the lighting power density reduction percentage ..... 1. \_\_\_\_\_  
If the amount on line 1 above is 40% or greater, enter 100% on line 4. If line 1 is less than 25%, enter 0% on line 4. Otherwise, go to line 2
2. Subtract the amount on line 1 from 40% ..... 2. \_\_\_\_\_
3. Multiply the amount on line 2 by 3 1/3 ..... 3. \_\_\_\_\_
4. Subtract the amount on line 3 from 100% and enter this amount in column (c), column (L) for the property. Check the box on column 1(d) ..... 4. \_\_\_\_\_

**Note.** An exception applies to warehouses. The reduction in power density must be 50% or greater. If the property is a warehouse and the reduction in power density is 50% or greater, enter 100% in column 1(c), column L for the property. If less than 50%, enter 0.

### Line 1, Column (d)

Check the box in column 1(d) **only** if the interim lighting rule was used for the interior lighting system. Information regarding the interim lighting rule can be found in [Notice 2006-52](#), Section 2.03(1)(b).

### Line 1, Column (e)

Use the [Worksheet for Form 7205, Line 1, Column \(e\)](#), later, to compute the total potential amount per square foot. Each property has a maximum amount per square footage limit for the life of the property. Once that limit is reached, no further deductions may be taken for the property. See the instructions for line 2, column (b), later, for the maximum amount.

### Line 1, Column (f)

Enter the building square footage for the property. See the definition of [building square footage](#), earlier.

## Part II—Computation of Energy Efficient Commercial Buildings Deduction Amount

### Line 2, Column (a)

Enter the aggregate per square foot dollar amount that was claimed for the building in all prior tax years. The aggregate amount for the building includes the amount you claimed, and amounts claimed by others, including previous owners of the building.

1. Enter the total deduction for the building claimed in all prior years by you and/or any other parties . . . . . 1. \_\_\_\_\_
2. Enter the amount from Form 7205, line 1, column (f) for building . . . . . 2. \_\_\_\_\_
3. Divide line 1 by line 2. Enter this amount on Form 7205, line 2, column (a) . . . . . 3. \_\_\_\_\_

**Line 2, Column (b)**

Subtract line 2, column (a), from the maximum full amount allowed (from the chart below) for the tax year.

The maximum amount allowed each year is as follows:

Tax Year	Maximum Full Amount Allowed	Maximum Partial Amount Allowed
All years beginning before January 1, 2021	\$1.80	\$0.60
For tax years beginning on or after January 1, 2021	\$1.82	\$0.61
For tax years beginning on or after January 1, 2022, and before January 1, 2023	\$1.88	\$0.63

**Line 2, Column (d)**

If line 2, column (c), is checked, enter the amount from line 1, column (g); skip line 2, columns (e) and (f); and go to column (g). If line 2, column (c), is not checked, enter zero on line 2, column (d), and go to line 2, column (e).

**Line 2, Column (g)**

Enter the cost of EECBP placed in service during the tax year. The cost of EECBP does not include the total cost of the building or general renovation. It is limited to the cost of the building systems that make up the EECBP. See the definition of [energy efficient commercial building property](#). EECBP does not include property such as ovens and fryers, manufacturing equipment, elevators or escalators, or exterior lighting, only the specific items that make up the systems of EECBP.

If you are a building owner with a partial building ownership, refer to your ownership or lease agreement to determine how the expense is to be allocated among the owners. In column 2(g), only enter your allocated portion of the cost of EECBP placed in service during the year.

**Line 2, Column (h)**

In column (h), enter the greater of column (d) or column (f). If you are a building owner with a partial building ownership, refer to your ownership or lease agreement to determine how the amount should be allocated among the owners. Only enter your allocated portion of the computed amount per square foot in column (h). It will generally be your allocated percentage, as defined in the ownership agreement, multiplied by the greater of column (d) or column (f).

**Line 2, Column (j)**

**Designers.** If you are claiming the deduction as the designer of EECBP, you may only claim the amount the government building owner has allocated to you on the appropriate allocation documents. Enter the dollar amount allocated to you as designer on line 2, column (j).

**Line 3. Total Section 179D Deduction**

Add the amounts in line 2, column (k). Enter the total on line 3. Also include the total on the applicable line of your tax return. For example, if filing Form 1120, include the total on “line 26, Other Deductions.” Attach Form 7205. See the instructions for your tax return.

If you are claiming the deduction for more than 4 properties, complete as many Forms 7205 as needed to list them. However, complete line 3 on only one form. That line 3 amount should include the combined total of all properties reported on all Forms 7205.

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**Part III—Certification Information for Each Property Listed in Part I**

Enter the information regarding the qualified individual who completed the certification for each claimed property. See [qualified individual](#), earlier.

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**Part IV—Designer Allocation Information for Each Property Listed in Part I**

Complete this section **only** if you checked the designer box at the top of the Form 7205.

Enter the information regarding the government building owner and the individual completing the allocation form.

**Worksheet for Form 7205, Line 1, Column (e) (Complete for each building)**

Keep for Your Records 

1.	Enter the percentage from Part I, line 1(c), column A . . . . .	1.	_____
	If the amount entered on line 1 above is 50% or greater, enter \$1.88 on line 1, column (e), and skip the remainder of the worksheet for this building.		
2a.	Enter the percentage from Part I, line 1(c), column E . . . . .	2a.	_____
2b.	Enter the percentage from Part I, line 1(c), column H . . . . .	2b.	_____
2c.	If Part I, line 1, column (d), is <b>unchecked</b> , enter the percentage from line 1, column (c), column L . . . . .	2c.	_____
	If any of the amounts on lines 2a, 2b, or 2c above are 50% or greater, enter \$1.88 on line 1, column (e), and skip the remainder of this worksheet for this building.		
3.	Add lines 2a, 2b, and 2c . . . . .	3.	_____
	If line 3 is 50% or greater, enter \$1.88 on line 1, column (e), and skip the remainder of this worksheet for this building.		
4.	If the amount on line 2a above is 10% or greater, enter \$0.63. If less than 10%, enter 0 . . . . .	4.	_____
5.	If the amount on line 2b is 15% or greater, enter \$0.63. If less than 15%, enter 0 . . . . .	5.	_____
6.	If the amount on line 2c is 25% or greater, enter \$0.63. If less than 25%, enter 0 . . . . .	6.	_____
7.	If line 1, column (d) is <b>checked</b> , enter the amount from line 1, column (c), column L . . . . .	7.	_____
8.	Multiply line 7 by \$0.63 . . . . .	8.	_____
9.	Add lines 4, 5, 6, and 8. Enter the total here and on line 1, column (e) . . . . .	9.	_____

**Note:** This worksheet uses the amount per square foot rates applicable for tax years beginning on or after January 1, 2022, and before January 1, 2023. See the table included in the instructions for line 2, column (b), for the amount per square foot rates for other years.