



Energy Efficient Commercial Buildings Deduction

Building owners who place in service energy efficient commercial building property (EECBP) or energy efficient building retrofit property (EEBRP) may be able to claim a tax deduction. An increased deduction may be available for increased energy savings or meeting prevailing wage and apprenticeship requirements.

Who Is Eligible

Beginning January 1, 2023, the deduction is available to:

- Owners of qualified commercial buildings
- Designers of EECBP/EEBRP installed in buildings owned by specified tax-exempt entities, including certain: government entities, Indian tribal governments, Alaska Native Corporations, and other tax-exempt organizations

The deduction was previously available only to owners of qualified commercial buildings and designers of EECBP installed in buildings owned by certain government entities.

Amount of the Deduction for 2023 and After

For property placed in service in 2023 and after, the deduction for EECBP equals the **lesser** of:

The cost of the installed property

or

The savings per square foot calculated as:

- \$0.50 per square foot for a building with 25% energy savings
- **Plus** \$0.02 per square foot for each percentage point of energy savings above 25%
- **Up to** a maximum of \$1.00 per square foot for a building with 50% energy savings
- Savings per square foot may be reduced for deductions claimed in prior years.

Buildings That Qualify

- EECBP must be installed on or in a building located in the U.S. and within the scope of a specified Reference Standard 90.1 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America. It must be property for which depreciation or amortization is allowable, and installed as part of the interior lighting systems, the heating, cooling, ventilation, and hot water systems, or the building envelope. It must be certified as being installed as part of a plan to reduce the total annual energy and power costs for the above systems by 25% or more in comparison to a reference building meeting the minimum requirements of Reference Standard 90.1.
- EEBRP must be installed on or in a qualified building as part of the interior lighting systems, the heating, cooling, ventilation, and hot water systems, or the building envelope. A qualified building is a building located in the U.S. and originally placed in service not less than 5 years before the establishment of a qualified retrofit plan for the building. EEBRP must be property for which depreciation or amortization is allowable, and it must be certified as meeting certain energy saving requirements.

Prevailing Wage and Apprenticeship Bonus

Beginning in 2023, if local prevailing wages are paid and apprenticeship requirements are met, an increased maximum deduction applies. The maximum amount increases to five times the savings per square foot amount.

This publication provides a general overview. Taxpayers should consult a tax professional before claiming the deduction.