

Energy Tax Savers, Inc

EPAct 2005

Immediate Tax Deductions for Commercial Buildings

Energy Tax Savers

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Overview

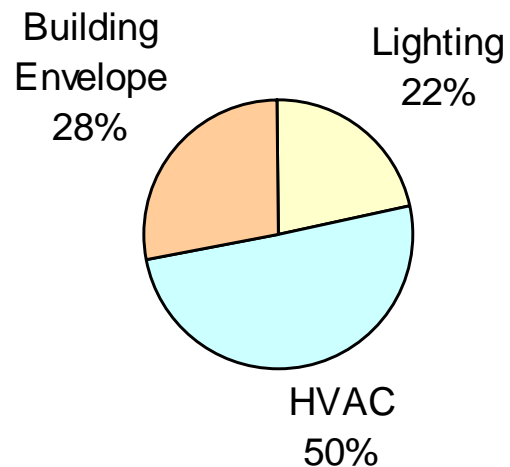
- The opportunity
 - Energy Tax Incentives Act of 2005
 - Commercial building immediate tax deduction
 - Incentivized areas:
 - Lighting
 - HVAC
 - Building envelope
 - Also available for:
 - Rental properties 4 stories or above
 - Tenant owned lease-hold improvements
 - Multifamily co-op and condos non business credit pass through
 - Enhanced Federal solar tax credit

Overview

- DOE Objectives
 - Make tax incentives performance based
 - The more energy you save, the more taxes you save
 - Maximize efficiency of conventional equipment and processes
 - Encourage alternative energy equipment and design

Overview

Building Energy Use



- Our view of DOE analysis on tax area
 - Difficult to reduce *building envelope* energy use after-the-fact
 - *Lighting* current low hanging fruit
 - Prospectively, *HVAC* may be biggest opportunity

Overview

- A Little Tax Jargon
 - Deduction
 - To calculate your Savings you must multiply by your tax rate
 - Approximately 1/3
 - Applies to commercial building immediate deduction
 - Credit
 - A Dollar for Dollar Savings
 - Applies to solar

Overview

- The challenge
 - The facilities/energy people and the tax department must work closely to achieve these benefits
 - Many tax departments:
 - Are busy with SARBOX
 - Have never communicated with facilities/energy before

Overview

- What We Do
 - Our services can be divided into two parts:
 1. We act as a bridge between facilities/energy and tax
 2. We offer a comprehensive tax package to comply with the filing requirements of the law

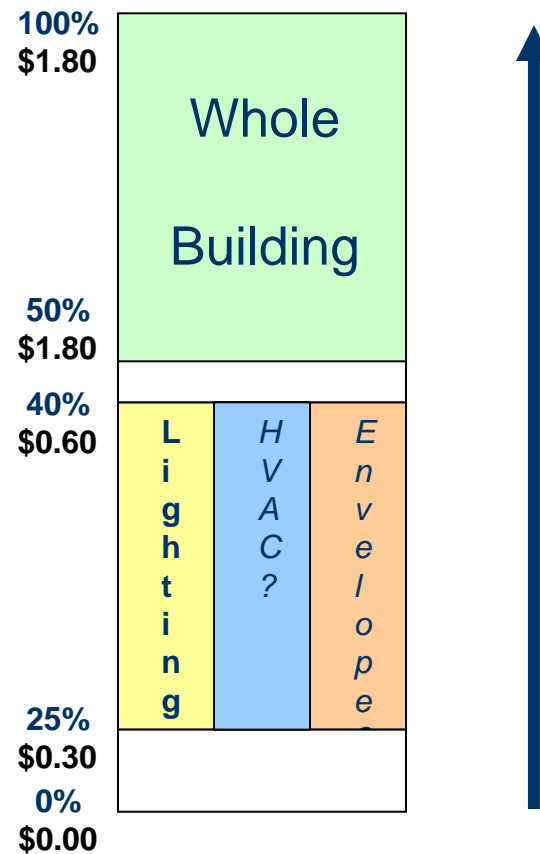
Commercial Building Immediate Deduction

- **Mechanics**
 - Deductions based on improvements over ASHRAE 90.1 2001
 - Energy efficient improvements must be depreciable assets
 - Converts 39 year depreciation to current deduction
 - Available for installations completed in 2006 & 2007
 - Can begin in prior years
 - Deduction amounts:
 - Lesser of total cost or:
 - \$1.80/sq.ft. Whole Building
 - \$0.60/sq.ft. Individual Systems
 - a. Lighting
 - b. HVAC
 - c. Building Envelope

Commercial Building Immediate Deduction

Details:

As buildings reduce energy costs or use, more tax benefits become available (per square foot)



Commercial Building Immediate Deductions

Potential Tax Savings

	Immediate Tax Deduction
Whole Building	\$540,000
Individual System Approach	
Lighting	\$180,000
HVAC	\$180,000
Building Envelope	\$180,000

Assumptions: 300,000 sq.ft. Building

Commercial Building Immediate Deductions

- Architects/Engineers
 - DOE goal to incentivize green design in **municipal** building sector
 - Benefits passed through the primary designer
 - Schools, government buildings
 - Does not include non-profits

Commercial Building Immediate Deduction

- Lighting standards
 - First to be published
 - Interim rules based on *use* not cost
 - Deductions begin at 25% improvement over ASHRAE
 - Increase linearly
 - Credit adjustments exist for lighting controls

	2001 Standard (LPD, W/ft ²)	25% Improvement	40% Improvement
Manufacturing Facilities	2.2	1.65	1.32
Office	1.3	0.975	0.78
Dining Facility	1.8	1.35	1.08
Fitness Center	1.4	1.05	0.84
Warehouse	1.2	50% required, 0.60	
Automotive	1.5	1.125	0.90

Commercial Building Immediate Deductions

- Advanced Lighting Systems Tax planning
 - Lowest Hanging Fruit
 - Potential for “free riding”
 - If 40% improvement already exists, use \$0.60 per square foot deduction for:
 - Lighting controls—Automation systems
 - Lighting portion of Building Management Systems
 - Daylighting design and systems

Commercial Building Immediate Deductions

- Proprietary Lighting Deduction Calculator
 - Shows
 - Tax reserve
 - Basic deduction
 - Controls enhanced deduction
 - Not exact (not room-by-room)
 - Available at www.energytaxsavers.com

Tax Deduction Estimator for Lighting Improvements

A. Square footage of building or building space with Lighting Upgrade sq.ft.

Your Maximum Tax Deduction Reserve is*: \$

B. Cost of capital items

<i>Occupancy Sensor/Time Clocks</i>	<input type="text" value="0"/>	<i>Fixtures</i>	<input type="text" value="0"/>
<i>Dimming Ballast</i>	<input type="text" value="0"/>	<i>Ballast</i>	<input type="text" value="0"/>
<i>Smart Ballast</i>	<input type="text" value="0"/>	<i>Reflectors</i>	<input type="text" value="0"/>
<i>Daylighting/Tuning</i>	<input type="text" value="0"/>	<i>Other Controls</i>	<input type="text" value="0"/>
<i>Personal Control</i>	<input type="text" value="0"/>	<i>Light Shelves</i>	<input type="text" value="0"/>
<i>Load Shedding</i>	<input type="text" value="0"/>	<i>Solar Shades</i>	<input type="text" value="0"/>
Other			
<i>Daylighting Design</i>	<input type="text" value="0"/>		
<i>Other Capital Items</i>	<input type="text" value="0"/>		
<i>Labor for Installation of Above Items</i>	<input type="text" value="0"/>		
Total Cost:		\$	<input type="text" value="-"/>

C. Please choose the type of space

Baseline ASHRAE LPD: Please Make a Selection ▼

D. What is the light power density (LPD) of the new lighting?
(Utilize ASHRAE 90.1 calculation method)

1	2	3
Daylighting	Sq.Ft. not covered by "1" Manual Dimming w/Load Control	Sq.Ft. not covered by "1+2" Occupancy Controls (spaces<250sqft)

F. Square Footage per Control Type

G. Potential Tax Deduction Without Control Enhancement**: \$

H. Control Enhanced Potential Tax Deduction \$

*This is the maximum possible deduction. For a more specific estimate, please fill in the following information:

**Tax deduction assumes meeting all provisions provided in instruction manual.

***If you have purchased a Lutron product, you may be eligible for a bonus adjustment to your LPD

Commercial Building Immediate Deductions

- HVAC & Building Envelope
 - Final regulations forthcoming
 - Our HVAC thoughts based on DOE discussions:
 - Will support improved
 - Air conditioners
 - Chillers
 - Heat Systems
 - Ventilation
 - Should encourage
 - Variable Frequency Drives
 - HVAC controls
 - Commissioning
 - Natural ventilation

Commercial Building Immediate Deductions

- Key points:
 1. Tax savings for investments already being made or considered in normal course of business
 2. Large immediate savings can significantly improve payback period for an investment being considered
 3. LEED buildings particularly well positioned

Our Comprehensive Tax Package

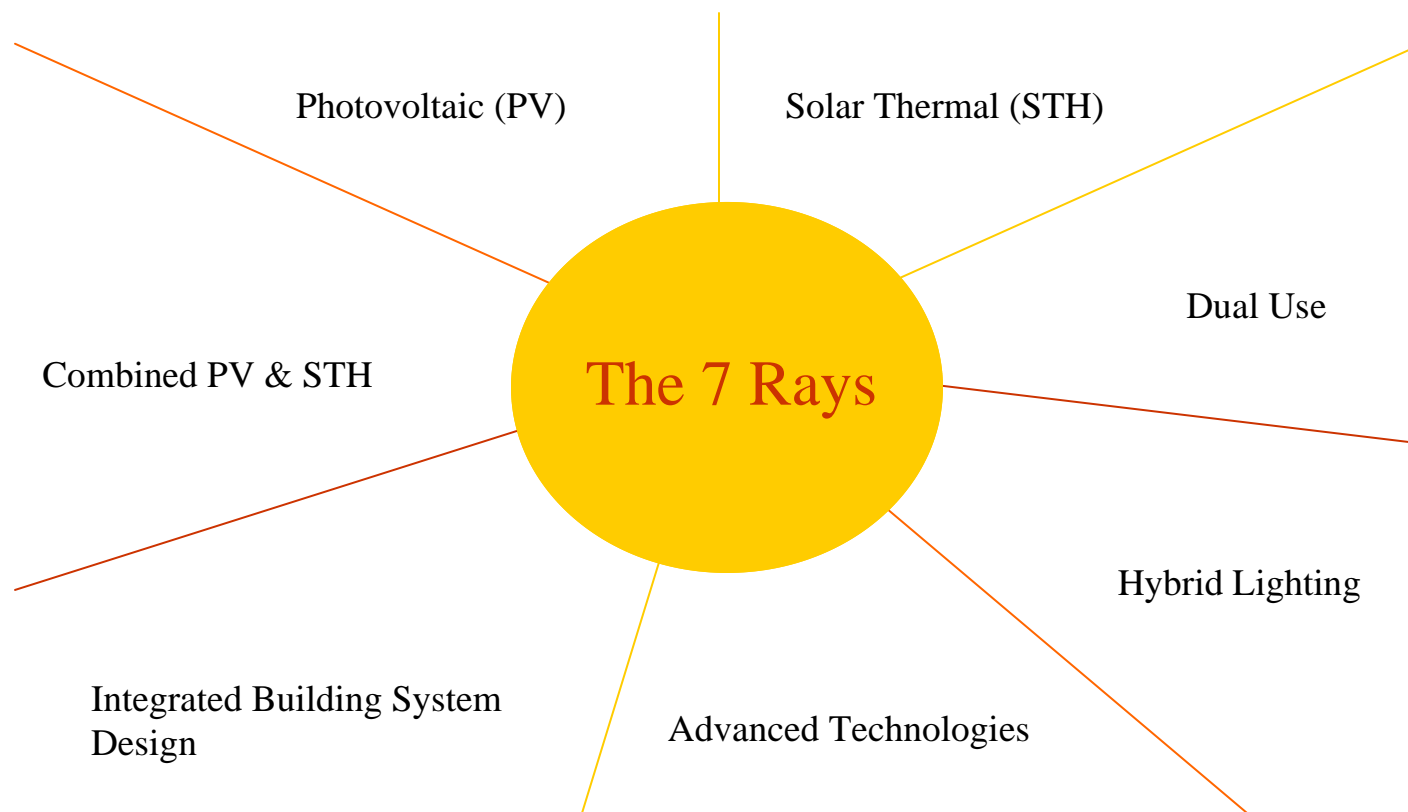
- Energy Reduction Plan (ETSI Software)
- Building Energy Model (ETSI Reviewed)
- Tax Deduction Calculation (ETSI Software)
 - Use ASHRAE 90.1 2001 as Base
 - Must meet CA software rules
- Owners Manual, highlighting energy saving features
- Post-Implementation Certification (ETSI Reviewed)

Solar Tax Credit

- Increases from 10% to 30% with no cap
- Accelerated Depreciation to 5 yr MACRS
- Solar Investments, Impact & Integrate w/Immediate Deduction
- Definition of Eligible Property Expanded
- Should reflect building cost tax accounting
 - Seven Rays approach (see next slide)

Solar Tax Credit

Energy Tax Savers—Solar Tax Credit Universe



Energy Tax Savers

The Lighting Cost Savings Pyramid



100,000 sq.ft. Office building with a LPD of 1.78 W/ft²; \$100,000 Lighting retrofit improves LPD to 0.78 W/ft²; Assume electrical rate of \$0.10/kWhr; Assume operating 3000 hr/yr; Assume corporate tax rate 35%; Assume NYSERDA rebate \$0.05/kWhr; Assume Demand Response \$54/kW

Energy Tax Savers

- Why Choose Energy Tax Savers?
 - Unique, multidisciplinary staff
 - CPA, Attorney, Engineering, Computer Modeling
 - Leading subject matter experts
 - National speaking tour
 - Published articles
 - Working with well over 100 million in square footage
 - Proprietary Lighting Tax Savings calculator
 - Marketing partnerships
 - We are part of a team of leading energy management companies that together provides services to meet today's complex energy needs

Energy Tax Savers

- Fee Calculations and Proposal Process
 - Review projects
 - Estimate future minimum expected tax savings and fee
 - Fee can be
 - Fixed
 - Based on percentage of tax saved