

EPAct Tax Incentives for Energy Efficient Fitness Centers

By Charles Goulding and Andrea Albanese

Fitness clubs and or gyms operate in virtually every community in the United States. There has been an increased demand for U.S. fitness facilities over the past five years, including a new focus on medical fitness centers[1]. Ranging from small store fronts to large properties these facilities consume a higher amount of energy than most similarly sized properties. In the course of getting their members physically fit, fitness centers need to get their own facilities energy-fit.

The large energy use arises from long operating hours often ranging from 6:00 AM to 10:00 PM and the additional energy related to higher HVAC cooling, fresh air recovery, and humidity requirements based on the nature of the human physical activities. The increased usage of fitness facilities has prompted a trend of 24 hour operations for many of these centers, meaning even larger energy costs for those 24 hour fitness facilities.

Fitness centers include a number of different space types, each with different lighting and cooling needs. Exercise rooms, offices, general storage, locker rooms, toilets, class studios, retail sales, high bay courts, and spa facilities are all different environments making fitness facilities unique in their energy usage[2]. For example a class studio would require a higher level of air ventilation than a retail sales space would.

The EPAct Tax Opportunities

Pursuant to Energy Policy Act (EPAct) Section 179D, Hispanic property owners making qualifying energy-reducing investments in their new or existing locations can obtain immediate tax deductions of up to \$1.80 per square foot.

If the building project doesn't qualify for the maximum EPAct \$1.80 per square foot immediate tax deduction, there are tax deductions of up to \$0.60 per square foot for each of the three major building subsystems: lighting, HVAC (heating, ventilating, and air conditioning), and the building envelope. The building envelope is every item on the building's exterior perimeter that touches the outside world including roof, walls, insulation, doors, windows and foundation.

Alternative Energy Tax Credits and Grants

There are multiple 30% or 10% tax credits available for a variety of alternative energy measures with varying credit termination dates. For example, the 30% solar tax credit and 30% fuel cell credit expires January 1st 2017 and the 10% Combined Power tax credit also expires January 1st, 2014. The 30% closed loop and open loop biomass credit expires January 1st, 2014.

All alternative measures that are eligible for the 30% and 10% tax credits are also eligible for equivalent cash grants for the three years starting January 1st 2009 and ending December 31st 2011.

Lighting: Watch the Wattage

Fitness centers should endeavor to install energy efficient lighting at better of 1 watt or less to qualify for maximum tax incentive. It is crucial for gyms to be aware of the EPACT lighting tax standard since merely meeting the ASHRAE code requirements of 1.1 watt will result in only a 35% improvement as compared to the ASHRAE 2001 tax reference standard.

The EPACT tax wattage targets for the typical spaces found in a fitness center are presented in the table below:

Fitness Center EPACT Lighting Targets

Area Description	25% Improvement as compared to 2001 Standard	40% Improvement as compared to 2001 Standard
	\$0.30/sq.ft. Deduction Watts/sq.ft.	\$0.60/sq.ft. Deduction Watts/sq.ft.
Indoor Playing Field	1.425	1.14
Audience/Seating Area	0.375	0.30
Open Office Area	0.975	0.78
Enclosed Office	1.125	0.90
Conference Room	1.125	0.90
Locker Room	0.60	0.48
Exercise Area	0.825	0.66
Corridor	0.525	0.42
Storage	0.825	0.66
Restrooms	0.75	0.60
Lobby	1.35	1.08
Electrical/Mechanical	0.975	0.78
Mall Concourse	1.35	1.08
Dining Area	1.05	0.84
Food Preparation	1.65	1.32
Retail Sales	1.575	1.26
Exam/Treatment Room	1.20	0.96

HVAC Strategies

HVAC control strategies in these facilities can greatly reduce operating costs since they have cooling needs before and after normal business operating hours when electricity rates are often measurably lower. For heavy morning use facilities, one strategy would be to cool the facility in the morning before members enter, and utilize that cooling level to cover the higher business hour day-time rates. For the evening member influx the strategy would be to vamp up the cooling output right after the business day when the lower electric rates kick in (which should be concurrent with evening member influx).

The potential EPAct tax incentives for some of the top U.S. fitness centers are presented below:

Top U.S. Fitness Facilities

Potential Tax Deductions Available for Energy Efficient Building Improvements

Property	Total Square Footage	Lighting		HVAC	Building Envelope	Total
		Minimum Deduction	Maximum Deduction	Maximum Deduction	Maximum Deduction	
Town Sports International 159 Locations **	3,975,000	\$1,192,500	\$2,385,000	\$2,385,000	\$2,385,000	\$7,155,000
Bally Total Fitness 270 Locations **	6,760,000	\$2,028,000	\$4,056,000	\$4,056,000	\$4,056,000	\$12,168,000
Lifetime Fitness 90 Locations	9,262,435	\$2,778,731	\$5,557,461	\$5,557,461	\$5,557,461	\$16,672,383
LA Fitness 296 Locations ***	11,840,000	\$3,552,000	\$7,104,000	\$7,104,000	\$7,104,000	\$21,312,000

Curves						
10,000 Locations *	15,000,000	\$4,500,000	\$9,000,000	\$9,000,000	\$9,000,000	\$27,000,000
24 Hour Fitness						
380 Locations ***	15,200,000	\$4,560,000	\$9,120,000	\$9,120,000	\$9,120,000	\$27,360,000
Gold's Gym						
481 Locations ***	19,240,000	\$5,772,000	\$11,544,000	\$11,544,000	\$11,544,000	\$34,632,000
Totals:	81,277,435	\$24,383,231	\$48,766,461	\$48,766,461	\$48,766,461	\$146,299,383

* Square Footage is based on an average of 1,500 sq. ft. per facility.

** Square Footage is based on an average of 25,000 sq. ft. per facility.

*** Square Footage is based on an average of 40,000 sq ft. per facility.

Conclusion

Fitness is an important part of American culture and fitness centers are gathering point for wide range of local residents in every community.

These facilities are high energy users and today's energy efficient products and strategies can utilized to greatly reduce energy costs and while achieve EPA Act tax incentives for doing so.

Charles R. Goulding Attorney/CPA is the President of [Energy Tax Savers Inc., The EPA Act Experts](#), an interdisciplinary tax and engineering firm that specializes in the energy-efficient aspects of buildings.

Andrea Albanese is an analyst with [Energy Tax Savers, Inc., The EPA Act Experts](#).

[1] Kufahl, Pamela. "Health Care Reform Spurs Growth of Medical Fitness Centers" *Club Industry*, 1 Jun 2011, <<http://clubindustry.com/hospital/health-care-reform-spurs-growth-medical-fitness-centers-20110601/?imw=Y>>

[2] Whole Building Design Guide. *Physical Fitness (Exercise Room)*, 2009, <http://www.wbdg.org/design/physical_fit.php#spcatt>.

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