

The EAct Tax Aspects of Hamburger Restaurant LED Lighting

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Analysts at Energy Tax Savers take a look at the potential for hamburger chain restaurants to claim EAct tax deductions through LED lighting upgrades and LEED building certifications.

American's have a seemingly insatiable demand for hamburgers both from established large name chains familiar to all American's and fast growing new entrants. The restaurants covered in this article operate over 33,000 U.S. Locations.

Code Section 179D EAct Tax Opportunities

Pursuant to Energy Policy Act (EAct) Code Sec. 179D, as enacted by EAct, commercial property owners or primary designers in government projects 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 does not qualify for the maximum \$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.

LED Lighting EAct Tax Deductions

Existing hamburger chains are quickly moving to low wattage long life LED lighting which normally qualifies for the full EAct lighting tax deduction¹. The fast growing new entrants like Five Guys, and Smash Burger can design LED lighting into their new stores and obtain a new building EAct lighting tax deduction.

LED/LEED Combination

LEED stands for Leadership in Energy and Environmental Design and is the renowned standard for sustainable buildings in the United States². In conditioned (cooled) LEED buildings, air conditioning is the largest building energy user. Conditioned LEED buildings will qualify for a LED lighting tax deduction of \$1.80 per square foot when the buildings HVAC system is very energy efficient.

To qualify for the \$1.80 LED lighting tax deduction the building must be modeled in IRS approved software. Building owners should utilize tax engineers who are intimately familiar with the EAct building modeling process. An experienced tax engineer will be able to confirm before the LED LEED building lighting installation whether it is likely to qualify for the \$1.80 LED lighting tax deduction.

McDonalds is among the growing number of hamburger chains incorporating LEED standards into their building design. Burger King,

Wendy's and Umami Burger have LEED certified restaurants as well.

Compared to the average small business, much of a hamburger restaurant's operating costs are dedicated to energy use. An increasing number of restaurants are investing in achieving LEED certification points through energy reduction measures.

The magnitude of U.S. hamburger chain square footage and their potential EAct tax deductions are presented in the following table:

EAct Potential Benefits for Major Burger Chains
 Potential Tax Deductions Available for Energy Efficient Building Improvements Under Current Legislation

Property	Number of Locations	Square Footage of Each Location	Total Square Footage	Lighting		HVAC Maximum Deduction	Building Envelope Maximum Deduction	Total
				Minimum Deduction	Maximum Deduction			
McDonald's	12,804	4,000	51,216,000	\$ 15,364,800	\$ 30,729,600	\$ 30,729,600	\$ 30,729,600	\$ 92,188,800
Burger King	7,200	3,500	25,200,000	\$ 7,560,000	\$ 15,120,000	\$ 15,120,000	\$ 15,120,000	\$ 45,360,000
Wendy's	6,500	3,000	19,500,000	\$ 5,850,000	\$ 11,700,000	\$11,700,000	\$ 11,700,000	\$ 35,100,000
Hardee's/Carl's Jr.	2,780	3,600	10,008,000	\$ 3,002,400	\$ 6,004,800	\$ 6,004,800	\$ 6,004,800	\$ 18,014,400
Five Guys	2,500	2,500	6,250,000	\$1,875,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 11,250,000
What A Burger	700	2,800	1,960,000	\$ 588,000	\$ 1,176,000	\$ 1,176,000	\$ 1,176,000	\$ 3,528,000
In-N-Out Burger	278	3,700	1,028,600	\$ 308,580	\$ 617,160	\$ 617,160	\$ 617,160	\$ 1,851,480
Smash Burger	155	4,060	630,540	\$ 189,162	\$ 378,324	\$ 378,324	\$ 378,324	\$ 1,134,972
Checkers/Rally's	800	700	560,000	\$ 168,000	\$ 336,000	\$ 336,000	\$ 336,000	\$1,008,000
Johnny Rockets	231	2,000	462,000	\$138,600	\$ 277,200	\$ 277,200	\$ 277,200	\$ 831,600
Umami Burger	12	2,500	36,000	\$ 10,800	\$ 21,600	\$ 21,600	\$ 21,600	\$ 64,800
Totals:	33,960	(Average) 2,942	116,851,140	\$ 35,055,342	\$ 70,110,684	\$ 70,110,684	\$ 70,110,684	\$ 210,332,052

*Total square footage is an estimation based on internet data indicating the average square feet of each location.

Conclusion

Hamburger chains are increasingly required to disclose calories per serving. A calorie is actually a unit of heat. Just as restaurant customers want to shed calories, hamburger chains can use LED EAct tax incentives to reduce lighting related energy costs while also reducing heat from excess wattage.

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Contact the experts at Energy Tax Savers today at www.energytaxsavers.com or by email at info@energytaxsavers.com.

¹ Goulding, Charles, Goldman, Jacob, & Audette, Daniel. "The LED Lighting Tax Aspects of Restaurants" Corporate Business Taxation Monthly, May 2011, Pg. 13-14.

² Goulding, Charles, Goldman, Jacob, & Aboff, Amelia. "How LEED 2009 Expands EAct Tax Savings Opportunities" Corporate Business Taxation Monthly, September 2009, Pg. 11-13.