

The EPAct Tax Aspects of Hispanic Commercial Property Owners

By Charles G. Goulding and Charles R. Goulding

The 2010 census confirmed the prediction of huge increases in the U.S. Hispanic population. Businesses serving the Hispanic population are experiencing rapid growth and expanding their facilities. This article describes the Hispanic population growth, the tax savings opportunity, and some of the major Hispanic property owners' eligibility for tax savings.

In the past decade, Hispanics accounted for over half of all population growth in the U.S., increasing their numbers by 27 million. Today, approximately one-in-six Americans are Hispanic, with southern states like Texas showing some of the biggest gains, although states as far North as Wisconsin saw massive increases as well.

With such impressive gains nationwide, Hispanic company property owners, no matter the state of domicile, are poised to capitalize on Federal tax incentives for energy efficiency. Some of the companies we will be covering include Goya Foods, Diaz Foods, Univision, and various supermarket chains (Compare, Superior Super Warehouse, Sedano's, and Fiesta Mart).

Hispanic property owners are eligible for large tax incentives for both commercial building energy efficiency investments and alternative energy investments.

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.

Warehouses that combine energy-efficient lighting and heating have become, by far, the largest category of buildings qualifying for the \$1.20 to \$1.80 EPAct tax deductions.

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 expires January 1st, 2017 and the 10% Combined Power tax credit also expires January 1st, 2017. The 30% closed loop and open loop biomass credit expires January 1st, 2014.

All Alternative energy 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.

Univision

A greater Hispanic population means increased viewers for Spanish-language Univision, the fifth largest television network in the U.S. As growth has stalled for the English-language titans, Univision experienced a 14% increase in its marketing revenue and plans to increase investment in additional growth accordingly. The following table presents the potential EPAct tax benefits for some of Univision's facilities.



Potential EPAct 179D Tax Deductions Available for Energy Efficient Building Improvements

Property	Total Square Footage	Lighting Minimum Deduction	Lighting Maximum Deduction	HVAC Maximum Deduction	Building Envelope Maximum Deduction	Total
Miami, FL	378,703	\$ 113,611	\$ 227,222	\$ 227,222	\$ 227,222	\$ 618,665
Los Angeles, CA	184,194	\$ 55,258	\$ 110,516	\$ 110,516	\$ 110,516	\$ 331,549
Houston, TX	107,489	\$ 32,247	\$ 64,493	\$ 64,493	\$ 64,493	\$ 193,480
New York, NY	92,017	\$ 27,605	\$ 55,210	\$ 55,210	\$ 55,210	\$ 165,631
California	40,000	\$ 12,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 72,000
Phoenix, AZ	32,000	\$ 9,600	\$ 19,200	\$ 19,200	\$ 19,200	\$ 57,600
Totals:	834,403	\$ 250,321	\$ 500,642	\$ 500,642	\$ 500,642	\$ 1,501,925

Goya

As the largest Hispanic food company in the U.S., Goya has enjoyed similar growth, including 5% employment increases in recent years. Below is a table presenting the EPAct potential benefits for seven of Goya's sixteen properties, including their newest in Bollingbrook, Illinois. Goya facilities are typically warehouse/distribution type facilities

where achieving the maximum \$1.80 per square foot EPAct tax deduction is more easily attainable.¹

Once energy efficient retrofits are accomplished, these large roof facilities are ideal candidates for the solar P.V. 30% solar credit or cash grants.



Potential EPAct 179D Tax Deductions Available for Energy Efficient Building Improvements

Property	Total Square Footage	Lighting Minimum Deduction	Lighting Maximum Deduction	HVAC Maximum Deduction	Building Envelope Maximum Deduction	Total
Secaucus, NJ	320,000	\$96,000	\$192,000	\$192,000	\$192,000	\$576,000
Miami, FL	335,000	\$100,500	\$201,000	\$201,000	\$201,000	\$603,000
Houston, TX	138,000	\$41,400	\$82,800	\$82,800	\$82,800	\$248,000
Bethpage, NY	150,000	\$45,000	\$90,000	\$90,000	\$90,000	\$270,000
Bolingbrook, IL	147,000	\$44,100	\$88,200	\$88,200	\$88,200	\$264,600
Bayamon, PR	300,000	\$90,000	\$180,000	\$180,000	\$180,000	\$540,000
Prince George County, VA	109,000	\$32,700	\$65,400	\$65,400	\$65,400	\$196,200
Totals:	1,499,000	\$237,900	\$475,800	\$475,800	\$475,800	\$1,427,400

Diaz

Boasting annual growths of over 20%, Diaz Foods has 250,000 square feet of facilities available for energy investments that can qualify for EPAct tax savings as predicted below:



Potential EPAct 179D Tax Deductions Available for Energy Efficient Building Improvements

	Total Square	Lighting Minimum	Lighting Maximum	HVAC Maximum	Building Envelope	
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¹ Charles Goulding, Jacob Goldman, and Joseph Most, *Complete Warehouse Tax-Enhanced Energy-Efficient Design*, Published on Google Knol at <http://knol.google.com/k/charles-goulding/complete-warehouse-tax-enhanced-energy/1xedf26uc9hpj/4#>, February 2011

Property	Footage	Deduction	Deduction	Deduction	Maximum Deduction	Total
Warehouse/ Office Space	250,000	\$ 75,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 450,000
Totals:	250,000	\$ 75,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 450,000

Large Regional Hispanic Supermarket Chain EPAct Opportunities

Hispanic food companies are particularly well-suited for the large EPAct tax deduction for both non-conditioned and refrigerated warehouses. A number of Hispanic supermarkets have also experienced substantial growth. The table below presents the potential EPAct opportunities for some of the larger regional Hispanic supermarkets in three major Hispanic markets, namely Texas, California, and Florida. ²

Large Regional Hispanic Supermarket Chain EPAct Opportunities

Supermarket	Est. Square Footage of One Store	Est. Number of Stores	Est. Total Square Footage	Lighting Minimum Deduction	Lighting Maximum Deduction	HVAC Maximum Deduction	Building Envelope Maximum Deduction	Total
El Rancho (TX)	40,000	12	480,000	\$ 144,000	\$288,000	\$288,000	\$288,000	\$864,000
Compare (NY, NC)	30,000	44	1,320,000	\$396,000	\$792,000	\$792,000	\$792,000	\$2,376,000
Superior Super Warehouse (CA)	60,000	28	1,680,000	\$504,000	\$1,008,000	\$1,008,000	\$1,008,000	\$3,024,000
Sedano's (FL)	50,000	30	1,500,000	\$450,000	\$900,000	\$900,000	\$900,000	\$2,700,000
Fiesta Mart (TX)	60,000	49	2,940,000	\$882,000	\$1,764,000	\$1,764,000	\$1,764,000	\$5,292,000

² Charles Goulding, Taylor Goulding, and Sweetie Christian, *The Energy Tax Aspects of Texas Warehouses*, Published on Google Knol at <http://knol.google.com/k/charles-goulding/the-energy-tax-aspects-of-texas/1xedf26uc9hbj/19#>, April 2011

Supermarkets in Florida, Texas, California, and elsewhere should be eligible for 30% alternative energy, solar P.V., and fuel cell tax credits or cash grants. Texas, California, and Florida are three of the nation's top ten solar growth states.³

Conclusion

In the current difficult economy, the Hispanic commercial property market provides one of the rare high-growth business opportunities. As these successful Hispanic businesses build more facilities, they are perfectly situated to take advantage of the large energy cost and tax saving opportunities available from energy efficient building design. With larger chains, looking to capitalize on these same trends (Publix, the big Florida grocer, now has four Publix Sabor Hispanic stores), regional chains have an added incentive to stay cost competitive by finding efficiencies and reducing operating costs.

Charles R. Goulding Attorney/CPA is the President of Energy Tax Savers, Inc., an interdisciplinary tax and engineering firm that specializes in the energy-efficient aspects of buildings.

Charles G. Goulding is an Analyst with Energy Tax Savers, Inc.

³ Charles R. Goulding and Charles G. Goulding, *EPAct Tax Savings for the Top Ten U.S. Solar States*, Published on Google Knol at <http://knol.google.com/k/charles-goulding/epact-tax-planning-for-the-top-ten-u-s/1xedf26uc9hpj/31#>, May 2011