

## The EAct Tax Aspects of LED Lighting Pizza Toppings

*By Charles R. Goulding, Jennifer Pariente, and Raymond Kumar*

Analysts at Energy Tax Savers take a look at the potential for pizza restaurants to claim EAct tax deductions, especially with the efficient usage of LED technology.

Throughout the United States, America's pizza restaurants are topping off their interior roofs with LED lighting.

### 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.

### Understanding the EAct Tax Incentive Math

Table A represents the EAct potential tax deductions for the leading pizza chains as well as a LEED designed pizza chain:

### LED Lighting EAct Tax Deductions

Existing pizza chains are quickly moving to low wattage long life LED

**Table A.**

Property	Total Square Footage	Lighting		HVAC Maximum Deduction	Building Envelope Maximum Deduction	Total
		Minimum Deduction	Maximum Deduction			
Pizza Hut	15,200,000	\$ 4,560,000	\$ 9,120,000	\$ 9,120,000	\$ 9,120,000	\$ 27,360,000
Papa John's	6,628,700	\$ 1,988,610	\$ 3,977,220	\$ 3,977,220	\$ 3,977,220	\$ 11,931,660
Domino's Pizza	6,000,000	\$ 1,800,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 10,800,000
Little Caesar's	4,126,800	\$ 1,238,040	\$ 2,476,080	\$ 2,476,080	\$ 2,476,080	\$ 7,428,240
Cici's Pizza	2,280,000	\$ 684,000	\$ 1,368,000	\$ 1,368,000	\$ 1,368,000	\$ 4,104,000
Papa Murphy's	1,250,000	\$ 375,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 2,250,000
Bertucci's	570,155	\$ 171,047	\$ 342,093	\$ 342,093	\$ 342,093	\$ 1,026,279
Sbarro	485,500	\$ 145,650	\$ 291,300	\$ 291,300	\$ 291,300	\$ 873,900
Mountain Mike's Pizza	440,000	\$ 132,000	\$ 264,000	\$ 264,000	\$ 264,000	\$ 792,000
Pizza Fusion**	40,000	\$ 12,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 72,000
<b>*Totals:</b>	<b>37,021,155</b>	<b>\$ 11,106,347</b>	<b>\$ 22,212,693</b>	<b>\$ 22,212,693</b>	<b>\$ 22,212,693</b>	<b>\$ 66,638,079</b>

\* Total square footage is an estimation based on internet data indicating the average square feet of each location and the number of locations for each company.

\*\*Contains LEED designed buildings. LEED designs increase the chances of obtaining an EAct deduction

lighting which normally qualifies for the full EPAct lighting tax deduction.<sup>1</sup> Pizza preparation is labor intensive and ingredient rich. Reducing energy costs is one of the few controllable costs.

### **LED/LEED Combination**

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LEED stands for Leadership in Energy and Environmental Design and is the renowned standard for sustainable buildings in the United States<sup>2</sup>. 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 EPAct 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.

Pizza Fusion, an organic pizza chain, has received LEED certification in many of their United States restaurants.

Currently, the company has LEED certified restaurants in six states across the U.S., including Nevada, Colorado, Pennsylvania, New Jersey, Georgia and Florida. Receiving LEED recognition has made Pizza Fusion the first LEED certified restaurant their areas, such as in Miami, Atlanta, and Arizona.

### **Conclusion**

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Americans love pizza and everyone has their own favorite topping. Increasingly, the favorite Pizza interior roof topping is LED lighting coupled with EPAct tax incentives.

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<sup>1</sup> Charles Goulding, Spencer Marr, & Andrea Albanese. "The Tax Aspects of LED Lighting for Major Fast Food Restaurants" Corporate Business Taxation Monthly, August 2011, Pg. 15-16, 45-46.

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