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179D DEDUCTION FOR REAL ESTATE DEVELOPERS AND BUILDING OWNERS

WHAT is the 179D Deduction?

- Federal incentive that rewards energy-efficient construction and design
- Available for newly constructed, renovated, or expanded properties
- Deduction is per square foot – the larger the property, the larger the benefit
- Recent legislation increased the maximum benefit to $5.81/SF (with adjustment for inflation)
- Under the One Big, Beautiful Bill Act, the 179D Deduction may be only claimed on properties that begin construction by 6/30/2026

WHO Can Claim the 179D Deduction?

- Commercial building owners
- Owners of residential rental properties that are 4 or more stories above grade
- Tenants
- Real estate investors and developers
- REITs

WANT TO LEARN MORE?

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VISIT - https://capstantax.com/179d-energy-deduction/

HOW Do Developers Claim the 179D Deduction?

- Need to have impacted the building envelope, interior lighting, or HVAC system of a newly constructed, renovated, or expanded property
- Energy analysis, inspection, and certification by a qualified third party is required
- Deduction is best claimed in the year of construction, but may be claimed retroactively
- For projects in which construction began on/ after 1.30.2023, must meet Prevailing Wage and Apprenticeship Requirements to maximize benefit

WHY Should Developers Claim the 179D Deduction?

- Lucrative incentive that can be incorporated into planning
- Under new legislation, incentive may be claimed every three years (assuming property continues to meet or exceed relevant energy standards)
- Example: Newly constructed select-service hotel including LED lighting, additional roof and wall insulation, and “green” HVAC equipment and controls
  - Affected area: 161,843SF
  - Total Deduction: **$867,478** (with max benefit of $5.36/SF)