



Key Points

- *Governmental policies, programs, and incentives should encourage energy efficiency, especially as it relates to the built environment.*
- *Expanding existing incentives for energy efficiency with a track record of success will encourage more building owners to utilize the incentives and thus create jobs.*
- *Congress first created the Energy Efficient Commercial Building Tax Deduction in the 2005 Energy Policy Act and extended it to 2013 in the 2008 financial rescue legislation.*
- *This tax deduction should be increased to allow for a deduction of \$3.00 per square foot for qualified energy efficiency improvements or construction in commercial buildings.*

Expand the Energy Efficient Tax Deduction For Commercial Buildings

AIA Position

The American Institute of Architects (AIA) believes that governmental policies, programs, and incentives should encourage energy efficiency, especially as it relates to the built environment. To this end, the AIA supported legislation enacted in 2005 that allows for a tax deduction for constructing energy-efficient commercial buildings and for installing energy-efficient systems in existing buildings. In 2008, the deduction was extended through December 31, 2013, and should now be expanded to increase its usefulness in promoting energy-efficient buildings and creating jobs in the design and construction industry.

Actions Sought

The AIA strongly urges Congress to enact legislation that enlarges the Energy Efficient Commercial Building Tax Deduction (26 U.S. Code §179D) from the current \$1.80 per square foot to \$3.00 per square foot as contained in the Expanding Building Efficiency Incentives Act (S. 1637/H.R. 4226).

Explanation and Justification

The federal government has the ability to encourage energy-efficient practices in the private sector. Congress demonstrated this in 2005 by approving a tax deduction for energy efficient commercial buildings within the Energy Policy Act (P.L. 109-58). This tax deduction allows for building owners to claim a tax deduction of \$1.80 per square foot of building area for the installation of systems that reduce the total energy and power costs by 50 percent or more when compared with a reference building. The deduction applies to nearly all commercial, high-rise multifamily residential, health care, institutional, public, and educational facilities.

At a time when the design and construction industry is being decimated by the ongoing financial crisis, providing incentives for energy-efficient design and construction is an effective strategy to encourage building owners to undertake renovations, leading to job creation across the industry. And as energy-efficient buildings cost less to operate, use less energy, reduce the emission of greenhouse gases, improve comfort, and protect the energy security of our nation, enlarging the deduction will promote job growth while also supporting key national ideals. Enlarging this tax deduction will send a message that Congress is committed to invigorating the design and construction industry through incentives for energy-efficient design and construction.