



IRS Unveils Procedure Enabling Commercial Property Owners to Qualify for Energy Efficiency Deduction

IR-2006-88, June 2, 2006

WASHINGTON — The Internal Revenue Service today issued an advance copy of a notice on how commercial building owners or leaseholders can qualify for the tax deduction for making their building energy efficient. The notice establishes a process to certify the required energy savings in order to claim the deduction.

The commercial building deduction, which was enacted in the Energy Policy Act of 2005, allows taxpayers to deduct the cost of energy-efficient property installed in commercial buildings.

The amount deductible may be as much as \$1.80 per square foot of building floor area for buildings that achieve a 50-percent energy savings target. The notice provides that buildings below the 50-percent threshold may, nevertheless, qualify for a deduction of up to 60 cents per square foot of building floor area if they meet a 16 $\frac{2}{3}$ -percent energy savings target.

Before claiming the deduction, the taxpayer must obtain a certification that the required energy savings will be achieved. Today's notice prescribes the content of that certification and the qualifications that must be met by the person providing the certification.

The notice also announces that the Department of Energy will create and maintain a public list of software that must be used to calculate energy savings for purposes of providing the certification. It also provides a process that software developers must use if they desire to have their software included on that list.

Related Item:

- [Notice 2006-52](#), Deduction for Energy Efficient Commercial Buildings