

NASEO State Energy Financing Committee Call
Thursday, July 11, 2013; 3:00pm-4:00pm ET

Attendees

Alabama Energy Division
ASHRAE
Cadmus Group
California Energy Commission
Ceres
Clean Energy Solutions
Efficiency Energy
Energy Programs Consortium
Energy Services Coalition
Harcourt Brown & Carey
Idaho Office of Energy Resources
Iowa Energy Division
Johnson Controls
Maine
Maryland Energy Administration

Massachusetts Department of Energy Resources
Michigan Economic Development Corporation
Missouri Division of Energy
NEW HAMPSHIRE
Nevada State Office of Energy
NYSERDA
Oklahoma Office of Community Development
Oregon Department of Energy
PENNSYLVANIA
Siemens
South Carolina Energy Office
Tennessee Office of Energy Programs
Virginia DMME Energy Division
Wisconsin State Energy Office

Announcements

Al Christopher, Energy Division Director in Virginia, opened the call by reviewing the agenda and announcing the day and time of the next committee call: Thursday, September 5, 3:00-4:00pm ET. He also called on Brandon Smithwood, Manager of Policy, Ceres to announce and summarize a new financing report called "Power Factor: Institutional Investors' Policy Priorities Can Bring Energy Efficiency to Scale," available at <http://www.ceres.org/resources/reports/power-factor-institutional-investors2019-policy-priorities-can-bring-energy-efficiency-to-scale/view>.

Presentation: Monetization of Energy Efficient Commercial Building Property Deduction for Government Entities

Will Volker, who serves as the Managing Partner of Efficiency Energy, LLC, next gave a presentation on the 179D tax deduction and its application in buildings owned by government (tax-exempt) entities. Efficiency Energy is a tax consulting group that has managed over \$54 million in 179D allocations for more than 40 entities throughout the United States, including state and local government agencies, public universities, school districts, ports, aviation facilities, and public housing authorities. Will's presentation, which includes a written memo on the implementation of 179D, is available on [NASEO's Buildings Committee page](#).

Will described the 179D, which is a one-time deduction available for both retrofit and new construction projects on commercial property where third-party-qualified eligible measures are implemented. The deduction applies for 100% of the project cost up to \$1.80/sq.ft., including \$0.60/sqft each for lighting, HVAC, and building envelope measures.

Will discussed the steps required to administer the 179D allocation for public building energy upgrade projects so that they stand up to government oversight and rules. Notably, the IRS statute's "Special Rule for Government Buildings" indicates that a public (tax-exempt) property owner may allocate the 179D deduction to the private (tax-paying) entity or entities responsible for creating the technical specifications

for the installation of the energy saving measures. In so doing, Will noted, the question often arises of who “owns” the deduction and how best to allocate the benefit fairly between multiple stakeholders.

Consequently, the government entity will need to negotiate with the designer on these issues via a “Transfer Agreement” governing the 179D valuation and conditions. Will provided a breakdown of the costs associated with a project, which includes hard costs as well as expenditures on certification, modeling, and accounting and legal fees associated with the integration of the 179D benefit. He also provided examples of how the various costs and benefits are allocated in the Transfer Agreement to achieve an equitable split between both parties.

The 179D opportunity exists for all projects placed in service between January 1, 2006-December 31, 2013. The statute contains a look-back provision allowing the deduction to be applied to projects completed as far back as three years; as a result, although the deduction is set to expire in 2013, there is still a large opportunity that remains for both tax-exempt and tax-paying entities to reap the benefits of the deduction by amending previous years’ tax returns.

For more information, Will can be reached at wvolker@wesavegreen.com.

Committee Action Items

- NASEO is interested in state energy offices’ interest and experience in 179D, as well as other funding, financing, and incentive mechanisms. Please contact Sandy Fazeli (sfazeli@naseo.org) if you have questions or would like to share your story with the committee.
- The next Financing committee call is scheduled for September 5, 2013, at 3:00-4:00pm ET. An agenda and announcement will be posted on NASEO’s website and newsletter in advance of the call.