



## Energy Efficient Commercial Buildings Deduction

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**Federal Agency:** Department of the Treasury

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**IRA Statutory Location:** 13303

**Tax Code Location:** 26 U.S. Code § 179D

**Tax Provision Description:** Provides a tax deduction for energy efficiency improvements to commercial buildings, such as improvements to interior lighting; heating, cooling, ventilation, and hot water; and building envelope.

**Period of Availability:** Permanent; new rules generally begin in 2023.

**Tax Mechanism:** Business tax deduction

**New or Modified Provision:** Modified and extended. Efficiency requirements updated.

**Eligible Recipients:** Owners and long-term lessees of commercial buildings. Designers of energy efficient building property (architects, engineers). Tax-exempt owners of commercial properties, pending Treasury guidance on deduction allocation.

**Tribal Eligibility:** Yes

**Base Credit Amount:** \$0.50-\$1 per square foot, depending on increase in efficiency, with deduction over four year periods capped at \$1 per square foot. Inflation adjusted. Alternatively, taxpayers can deduct adjusted basis in “qualified retrofit plans” that reduce a building’s energy use intensity by at least 25%.

**Bonus Credit Amount:** 5 times the base amount if the project meets prevailing wage and registered apprenticeship requirements. Initial guidance on the labor provisions is available [here](#).

**Direct Pay Eligibility:** No

**Transferability:** No

**Stackability:** No rules

**Relevant Announcements:** [Request for Comments on Incentive Provisions for Improving the Energy Efficiency of Residential and Commercial Buildings](#) (10/5/2022)  
[Prevailing Wage and Apprenticeship Initial Guidance](#) (11/29/2022)  
[FAQ: Prevailing Wage and the Inflation Reduction Act](#)  
[FAQ: Apprenticeships and the Inflation Reduction Act](#)