CFO Solutions

R&D Tax Credit
179D Tax Deduction

Brandon Carroll – September 17, 2025

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179D Energy Efficient Commercial Building Tax Deduction

179D – What is it?

179D = Energy Efficient Commercial Buildings Deduction

- Provides up to **$5.80 per sq. ft.** (with prevailing wage + apprenticeship met)
- Available for **new construction or major renovations** of commercial buildings & certain residential (4+ stories)
- Focused on:
  - Building owners
  - Tenants making capital improvements
  - Designers of government or non-profit owned buildings

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179D – Who is it for?

- **Real Estate Developers**

Offset project costs & increase ROI through deductions.

- **Corporations (e.g., Logistics companies)**

Deduct warehouse/distribution center upgrades to lower taxable income.

- **Architecture & Engineering Firms**

Eligible for allocations on government / non-profit projects they design.

- **Building Owners / Investors**

Reduce tax liability while meeting sustainability goals.

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179D – How it works?

1. **Identify Eligible Projects** – New builds or retrofits with lighting, HVAC, or envelope upgrades.
2. **Engage a specialized service provider**– Licensed Professional Engineer required to certify energy savings.
3. **Energy Modeling + Site Visit** – Performed by specialized service provider
4. **Receive Deduction** – Applied against taxable income in the year placed in service.
5. **Allocation (if designer)** – Obtain signed allocation letter from non-taxable entity.

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179D – Real World Examples

Real Estate Developer
- 200,000 sq. ft. multifamily property at $5.80/sq ft
- → $1.16M deduction, around $348,000 reduction in taxes
- Reduces project taxable income, boosting cash flow.

Logistics Company
- 500,000 sq. ft. warehouse w/ LED + HVAC upgrade @ $5.80/sq ft
- → $2.9M deduction, around $870,000 reduction in taxes
- Helps fund additional sustainability initiatives.

Architecture Firm
- Designed 400,000 sq. ft. hospital for a nonprofit @ $5.80/sq ft
- → $2.3M allocation from owner, around $690,000 reduction in taxes
- → deduction directly lowers firm's taxable income.

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Q&A

Thank you for your time

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