



The Effect of the PATH Act on 179D

On December 18, 2015 the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) was passed. The Act extends and updates a number of tax provisions. In addition to making the Research Tax Credit permanent and extending Bonus Depreciation, this law also permanently extends the increased 179 expensing limitations and 179D tax deduction retroactively for 2015 and prospectively for one year for 2016.

The 179D Tax Deduction allows eligible taxpayers to take a deduction of up to \$1.80/sf against the depreciable basis of energy efficient property. This deduction is available to taxpayers who build new assets or make upgrades to their lighting, insulation, or HVAC systems. Additionally, architects and engineers that design energy efficient systems for government owned buildings may also be eligible to take this deduction.

This new law permanently extends the increased 179 expensing limits and phase-out amounts. Prior to this law, the 179 expensing limit had dropped to \$25,000 with a \$200,000 phase out. Under this new provision, the expensing limit is raised to \$500,000 with a \$2 million phase out. Additionally, starting in 2016 the new law indexes these higher limits for inflation, and eliminates the \$250,000 cap on qualified real property starting in 2016.

The new law extends the 179D tax deduction retroactively for 2015 and prospectively one year for 2016. For 2015 the 179D tax deduction retains the rules from 2014 with no changes. Starting in 2016 the IRS will require the buildings to be compared to a standard building under ASHRAE Standard 90.1-2007 (up from standard 90.1-2001 in 2015).

This deduction can lead to significant savings on tax returns. If you have any questions or would like to discuss in more detail please do not hesitate to contact McGuire Sponsel.



179D is available to taxpayers who build new assets or make upgrades to their lighting, insulation, or HVAC systems.

– David McGuire
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