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# THE LATEST COVID-RELIEF PACKAGE – TIME TO GO GREEN

*Author: So Sum Lee, CPA*

On December 27, 2020, Congress passed a \$900 billion COVID-relief package, along with a \$1.4 trillion spending package, that funds the government for the 2021 fiscal year. The spending bill includes several tax extenders; Section 45L tax credit for multifamily and residential developers, 179D tax deduction for commercial and government buildings, as well as 25C and 25D tax credits for homeowners. All of the incentives were set to expire or phase-down, but have been extended or made permanent.

## **SECTION 45L & 179D – INCENTIVES FOR ENERGY EFFICIENT BUILDING OR IMPROVEMENTS**

### **§45L Energy Efficiency Tax Credits Extended for Multifamily & Residential Developers through 2021**

Homebuilders or multifamily developers of new or rehabbed, energy-efficient housing are eligible for a \$2,000 tax credit per dwelling unit first leased or sold by the end of 2021. Qualifying

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taxpayers may also amend prior year returns to claim missed tax credits. Criteria for this tax credit remain unchanged. The basis for developing and supporting the 45L Tax Credit is a detailed energy analysis that must be certified by a qualified third-party.

*Projects that typically qualify include affordable housing, low-rise apartment buildings, assisted living facilities, production homes, condominiums, and more.*

## **§179D Energy Efficiency Tax Deductions Made Permanent for Commercial & Government Buildings**

The 179D Tax Deduction of up to \$1.80 per square foot for qualifying energy-efficient commercial buildings is now permanent. Beginning in 2021, deductions will increase annually to account for inflation. However, the criteria are now more stringent, as it utilizes the most recent version of the ASHRAE Standard 90.1 to calculate energy cost savings. The previous version was ASHRAE Standard 90.1-2007.

### **Candidates for 179D Tax Deductions include:**

- Commercial or multifamily building owners
- Architects, engineers, and other designers of government buildings
- Tenants making improvements

## **§25C AND 25D ENERGY EFFICIENCY PROVISIONS FOR HOMEOWNERS**

Besides tax benefits for homebuilders and real estate developers, the stimulus package also provide tax credits for certain home improvements.

### **§25D Residential Solar Energy Credit**

This credit was originally on a phase-down schedule, permitting a 30% credit in 2019, 26% in 2020, 22% in 2021, and expiring afterward. Under the Act, the phase-down is delayed by two years, allowing a 26% credit through 2022 and a 22% credit in 2023. The credit expires after 2023.

### **§25C Energy-efficient Home Improvements**

The Act authorizes a one-year extension, to the end of 2021, of the tax credit for qualifying improvements, such as doors, insulation, roofing, and windows.

As part of annual tax planning, our real estate industry experts can help determine if you qualify for one of these key tax incentives that were set to expire. [Contact us](#) today for an assessment.

**Author:** [So Sum Lee, CPA](#)