



IRA Tax Credits – Commercial Buildings and Property

The Inflation Reduction Act extends and enhances existing commercial tax credits for new or retrofitted commercial buildings. Below is an outline of two enhanced and extended tax credits for energy efficiency and building decarbonization.

Commercial Buildings Energy Efficient Tax Deduction (179D)

Who: Commercial building owners, commercial building tenants, project designers

Dates: Projects placed in service in 2023 or later

The [Commercial Buildings Energy Efficiency Tax Deduction \(179D\)](#) provides a deduction for new or retrofitted commercial buildings and properties that reduce energy use intensity over existing performance standards. The IRA increased and expanded the deductions available under 179D as outlined below:

- A project only needs to achieve 25 percent savings to claim the deduction with additional savings available if projects go above. This is half of the 50 percent savings that was required before the IRA.
- The rebate has been increased to \$0.50 to \$5.00 per square foot (depending on savings and labor practices).
- The deduction is now available to 501(c) non-profit organizations. The IRA allows non-profits to pass the deduction on to the “designer” (architect, engineer, or contractor) of the buildings.
- There is no longer a lifetime limit, as the deduction can now apply every three years, four in some situations.

Site Reduction	Base Deduction	With Prevailing Wage + Apprenticeship
Up to 25%	\$.50/SF	\$2.50/SF
Additional +1%	\$.02/SF	\$.10/SF
50%	\$1.00/SF	\$5.00/SF

Energy Investment Tax Credit (48)

Who: Commercial property owners

Dates: Projects placed in service before 2033

The [Energy Investment Tax Credit \(48\)](#) provides a credit for commercial energy investments. This tax has been extended and increased to include more clean energy technologies and become technology-neutral in 2025:

- The [credit](#) now covers more clean energy technology, including [geothermal heat pumps](#), energy storage technology greater than 5kWh, and microgrid technology.
- The base rate is six percent, but businesses can receive 30 percent if they meet [the prevailing wage](#) and [apprentice requirements](#). Additional bonuses are available for parts made in the USA and projects located in energy communities (brownfield sites and fossil fuel communities) or that are part of a [low-income residential or economic benefit project](#).
- Non-profits can also take advantage of this credit, as they can pass it on to other entities that work on a project.

Base Rate	6%
With Prevailing Wage and Apprenticeship	30%
Installed in an Energy Community	+ 10%
Part of a qualified low-income residential or economic benefit project	+20%