



GREEN CONSTRUCTION CAN BRING TAX BENEFITS

Commercial builders get breaks for lighting, heating, ventilation systems

By **FREDERICK J. HUGHES JR.**

As building contractors and construction companies continue to navigate a difficult economy that has taken its toll on the industry, they should be aware that some solid financial possibilities do exist in more innovative areas. One of these areas, in particular, involves environmentally friendly construction and upgrading, or “green” construction. It can provide incentives for home/business owners and more work for builders.

Green technologies are being used in more and more industries throughout the country as businesses and homeowners make efforts to protect natural resources and reduce carbon footprints. With greater frequency, buildings are being built and upgraded with Leadership in Energy and Environmental Design certification, or LEED standards for “green buildings.” Additionally, homeowners are being offered more tax credits for energy efficiency projects – the effort to “go green” is gaining popularity each day.

These efforts to conserve result in some interesting opportunities for financial benefit and, in economic times like these, they are certainly worth a look.

The bottom line is this: Homeowners and business owners now have a number of new financial incentives they can use to make various upgrades and improvements. And these incentives mean better chances for more work for those contractors and builders who are familiar with these new energy saving technologies.

Residential Benefits

Numerous new tax credits exist for those who look to make their homes or businesses “more green,” with incentives being offered in the way of energy efficiency and renew-

able energy.

One new tax law in particular, now extended through 2013, provides a tax credit of up to \$500 for homeowners to invest in residential building improvements that lead to energy conservation, such as installing new insulation materials, exterior windows, skylights and exterior doors. These incentives make it more likely for homeowners to hire contractors to take on these projects, and can prove to be a win-win for both.

Another area that could prove fruitful is residential property credits, as new federal laws make them more readily available. One new law (IRS Code Sec. 25C) increases the residential energy property tax credit for upgrades similar to the ones mentioned above, as well as environmentally beneficial improvements to central air conditioners, natural gas, propane or oil water heaters or furnaces, hot water boilers, electric heat pump water heaters, certain metal roofs and stoves, and advanced main air circulating fans.

These new incentives increase the residential energy property tax credit from 10 percent to 30 percent, raise the maximum cap to a \$1,500 aggregate amount for 2009 and 2010 installations, eliminate the



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\$500 lifetime cap and make several other modifications that could prove helpful. The changes apply through Jan. 1, 2011.

Another credit exists in IRS Code Sec. 25D, which removes individual dollar caps for solar hot water property, geothermal heat pumps and wind energy property. Once more, with incentives such as these available, homeowners could be much more likely to engage contractors to perform such upgrades.

Commercial Benefits

Interesting possibilities for using green technologies exist on the commercial side as well. Under IRS Code Sec. 179D, deductions for energy efficient commercial buildings have now been extended through the end of 2013. This means any number of upgrades to commercial properties that have environmental benefits – such as lighting systems or heating, cooling and ventilation systems – now have tax breaks extended for three more years.

This new law in particular is one that contractors should examine as they pursue new business projects. Those with the savvy and the acumen to recognize the opportunities created by these benefits could be the ones in the best shape, even with the challenges of the 2010 economy.

Naturally it is good advice for builders as well as owners to explore these and other areas even further, either on their own or with the help of a tax professional. But for those who recognize these potential tax incentives for “going green” as the opportunities they can be, the future may indeed be bright. ■

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