

Notice 2006-52

Deduction for Energy Efficient Commercial Buildings

.02 Energy Efficient Commercial Building Property.

(1) In General. Energy efficient commercial building property is depreciable property that satisfies each of the following conditions:

(a) The property is installed on or in any building that is located in the United States and is within the scope of Standard 90.1-2001. (See section 5.02 of this notice for the description of buildings within the scope of Standard 90.1-2001 and section 5.06 of this notice for the complete description of Standard 90.1-2001.)

(b) The property is installed as part of—

- (i) the interior lighting systems,
- (ii) the heating, cooling, ventilation, and hot water systems, or
- (iii) the building envelope.

(c) It is certified that the interior lighting systems, heating, cooling, ventilation, and hot water systems, and building envelope that have been incorporated into the building, or that the taxpayer plans to incorporate into the building subsequent to the installation of such property, will reduce the total annual energy and power costs with respect to combined usage of the building's heating, cooling, ventilation, hot water, and interior lighting systems by **50 percent or more** as compared to a Reference Building that meets the minimum requirements of Standard **90.1-2001**.

The required 50-percent reduction must be accomplished solely through energy and power cost reductions for the heating, cooling, ventilation, hot water, and interior lighting systems.

Reductions in any other energy uses, such as receptacles, process loads, refrigeration, cooking, and elevators, **are not** taken into account in determining whether the 50-percent reduction is achieved.

(2) Maximum Amount of Deduction.

(a) *In General.* The deduction for the cost of energy efficient commercial building property installed on or in a building shall not exceed the excess (if any) of—

- (i) the product of \$1.80 and the square footage of the building, over
- (ii) the aggregate amount of the § 179D deductions allowed with respect to the building for all prior taxable years.

(b) *Application to Multiple Taxpayers.* If two or more taxpayers install energy efficient commercial building property on or in the same building the aggregate amount of the § 179D deductions allowed to all such taxpayers with respect to the building shall not exceed the amount determined under section 2.02(2)(a) of this notice.