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It Still Pays to BUILD GREEN



By Steven Bankler, CPA

The COVID-19 pandemic has held up many construction projects, including those that develop renewable energy. For this reason, the U.S. Treasury Department and IRS have modified the beginning of construction requirement for both the production tax credit for renewable energy facilities and the investment tax credit for energy property. They've extended an important safe-harbor allowance as well.

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These tax breaks are for construction projects that produce electricity from sources such as wind, biomass, geothermal, landfill gas, trash, and hydropower, and use technologies such as solar panels, fuel cells, microturbines, and combined heat and power systems.

The IRS states the change is due to COVID-19 causing industry-wide delays in the supply chain for components needed to complete renewable energy projects otherwise eligible for essential tax credits. The two primary points of the guidance (IRS Notice 2020-41) are:

An extra year added to the four-year Continuity Safe Harbor for some projects that began construction in 2016 or 2017.

A three-and-a-half-month safe harbor for new projects, covering services or property paid for on or after September 16, 2019, and received by October 15, 2020.

That's an additional year to complete renewable energy projects that started in 2016 or 2017 and a few more months of tax-free time to complete the minimum requirements for a new project to qualify.

Renewable energy in building and residential design is here to stay, as technology makes it more possible and the cost of implementation decreases. And while there are fluctuations in the tax credits available for green builders, there are still plenty of opportunities — many that were recently extended from their original sunset dates. They include:

An extension of the 45L federal tax credit of up to \$2,000 per unit for single- and multi-family dwellings of three stories or less if the structure delivers heating and cooling consumption levels lower than national energy standards.

An extension of the Section 179D energy-efficient commercial buildings tax deduction through December 31, 2020. This deduction includes \$1.80 per square foot for installing qualifying interior lighting, building envelope, HVAC, or hot water systems that reduce a building's total energy and power cost by 50% or more.

Solar energy tax credits that are being stepped down but are still available at 26% for systems placed in service in 2020 (down from 30% in 2019). The tax credit applies to geothermal heat pumps, residential wind turbines, and residential fuel cell and microturbine systems as well.

Additional guidance on legislation passed in 2018, benefiting those claiming carbon capture credits. The new law expanded carbon capture to include “qualified carbon oxide,” which is a broader term than the “qualified carbon dioxide” definition used before. Qualifying metric tons are no longer limited, either.

Local San Antonio tax incentives may also be available. These opportunities can help offset taxes for builders and their commercial and residential clients alike. Some you may have thought are gone — like the few mentioned above — have been extended. Be sure to re-evaluate what's available before starting a new construction or renovation project. Feel free to contact us for tax-related questions. ▼

Steven Bankler has more than 43 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning. Visit www.bankler.com for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.

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