



BREAKING NEWS: SENATE PASSES GROUNDBREAKING INFLATION REDUCTION ACT, EXPANDING 179D DEDUCTION FOR ARCHITECTS, ENGINEERS, AND DESIGNERS

We recently posted a **brief update on the Inflation Reduction Act.**

After negotiations between Senate Majority Leader Chuck Schumer and Senators Manchin and Sinema, an **updated Inflation Reduction Act has passed the Senate** and moves one step closer to being enacted through the House of Representatives and President Biden. With the Senate being the toughest hurdle in moving forward a reconciliation bill, it is expected that this bill will become law soon.

Should this bill pass, what does it mean for architects, engineers, and designers?

The proposed changes include a **significant increase in tax deductions of up to \$5 per qualified square foot, up from the current rate of \$1.88 in 2022.** Currently, architects, engineers, and designers are eligible to be allocated these tax deductions

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- Research & Development Tax Credit
- Cost Segregation
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- 45L Credits for Energy Efficient Residential Developments
- IC-DISC
- Transfer Pricing

is a cornerstone of the \$369 billion being spent on energy security and climate change investments in the bill, which President Biden called, “the largest investment in clean energy and American energy security in history.”¹

In addition to nearly tripling the maximum tax benefit, the bill further expands the potential for architects, engineers, and other designers by making them eligible for 179D tax deductions when designing energy efficient building systems and improvements for tax-exempt entities. These can include:

1. charitable organizations,
2. churches & religious organizations,
3. private schools & universities,
4. private foundations,
5. political organizations,
6. other non-profits,
7. Native American tribal governments, and
8. Alaska Native Corporations

Find out more about who can qualify for 179D tax deductions and the process for claiming the deduction.

1 President Biden. @POTUS. “The Inflation Reduction Act won’t just be the largest investment in clean energy and American energy security in history. It will be the largest investment in American manufacturing as well.” August 4, 2022, 2:30PM. Tweet.

Questions about this proposed bill and what that means for your client or company? We’re here to help. **Let’s schedule a time to discuss** how to claim the deduction retroactively and plan for 2022 and 2023 tax years.



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Andy Gerstenhaber is a Senior Regional Director at KBKG. He specializes in working with CPAs and their clients to identify tax incentives. He also has over twelve years of experience in the tax consulting space, where he has helped his clients take advantage of over \$400 million in total benefit. [» Full Bio](#)

