



UP FRONT

The commercial building tax deduction established by the Energy Policy Act of 2005 offers electrical distributors the opportunity to shape the market for energy-efficient products.

IN THE NEWS BY DARLENE BREMER

New tax break for energy efficiency

The Energy Policy Act of 2005, which took effect on Jan. 1, established a new deduction for expenses incurred for energy-efficient commercial buildings. The provision applies to both new construction and retrofits that are placed in service Jan. 1, 2006, through Dec. 31, 2007. According to Evan Gaddis, president of the National Electrical Manufacturers Association (NEMA), "It is vital that the community properly understand this provision and develop a consensus position on its implementation."

The one-time tax deduction will be available for buildings that fall under the scope of the performance-related ASHRAE 90.1 standard that sets requirements for heating and cooling, windows, doors, roofs, insulation, electrical distribution systems, and interior lighting. Ex-

penditures that qualify for the deduction are those incurred with respect to improving the energy efficiency of any aspect of the building—whether it be interior lighting, HVAC, windows, doors, insulation, or the power distribution system.

The deduction is limited to an amount of up to \$1.80 per square foot for retrofitting an entire building to improve energy efficiency or designing a new energy-efficient building, and up to \$.60 per square foot for partial improvements.

The Treasury Department has yet to issue certification requirements. "The statute does call for the person taking the tax deduction to document the fact that the building does meet the qualifying energy-efficiency requirements," said Kyle Pitsor, NEMA's vice president of government relations. Eventually, the rules that are promulgated will specify

compliance methods, which are meant to be flexible and offer building owners a number of different avenues to demonstrate compliance.

"The compliance issue will be an opportunity for electrical distributors with expertise in lighting and lighting design to help building owners demonstrate compliance," Pitsor observed. This is particularly so with lighting because building owners are encouraged under the law to focus first on improving the energy efficiency of lighting systems.

"In retrofitting for energy efficiency, lighting is the easiest of the systems to upgrade," noted Pitsor. "For owners who may be unable to afford a complete building redesign and retrofit, improving lighting is an affordable way to take advantage of the deduction."

Pitsor also noted that the deduction ►

NewsBriefs

Home Depot announced "a definitive agreement on its intent to acquire **Hughes Supply**," an Orlando-based distributorship. The price: an aggregate consideration of \$3.47 billion, including the payment of \$46.50 per outstanding share and the assumption of \$285 million in net debt. Hughes has 9,600 associates and finished its last fiscal year (ended Jan. 31, 2005) with \$4.4 billion in revenues, making it HD's largest acquisition to date.

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Siemens acquired Swedish access control maker Bewator. Additionally, the company's Automations & Drives Group purchased Electrum, described as "a leading vendor of electrical installation systems in the United Kingdom."

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Capital Lighting & Supply opened a new 20,000-square-foot facility in Suffolk, Va. It plans to invest \$1 million in the facility and employ nine.

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Mayer Electric Supply, Birmingham, Ala., ranked No. 5 on a list of the 500 top women-owned businesses in the United States, as compiled by DiversityBusiness.com. It's Mayer's debut on the list, as it only recently completed "women-owned" status.

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Maverick Tube purchased Tubos del Caribe S.A. and Consorcio Metalurgico Nacional S.A. Tubos, a maker of goods for the oil industry and line pipe, and Consorcio, a maker of steel electrical conduit, are both based in Colombia, South America. The deal also included subsidiary Advance Corporation, Houston.

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A.O. Smith Electrical Products will build a material testing lab in Suzhou, China, "as part of an effort to expand its product engineering capabilities in that country," according to a company release.

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offers electrical distributors a couple of opportunities. "As building owners become more aware of the provision, they are going to be examining their facilities for ways to improve energy efficiency," said Pitsor. Electrical distributors can be key in providing the products and technologies needed to comply with the act and to serve as an educational resource on how to proceed with those upgrades. In addition, distributors that understand the act and the commercial buildings tax deduction can demonstrate to building owners and installers of products how energy-efficient technologies are integrated within a building.

"The deduction can help distributors push the market toward increased use of energy-efficient products and promote their long-term use, which translates into increased sales," said Karen Penafiel, assistant vice president of advocacy for the Building Owners and Managers Association, Washington, D.C.

Shaping the market for energy-efficient products will help distributors eliminate the barriers that currently impede the sale of high-profit energy-efficient products, according to David Goldstein, energy program director for the Natural Resources Defense Council in New York. "The deduction won't necessarily help distributors sell more lighting fixtures, but distributors will be able to sell the more efficient, more profitable fixtures," he explained. In addition, distributors may qualify to perform the energy-efficiency

Get involved

NEMA has convened a coalition of organizations interested in educating the community about the commercial buildings tax deduction provision of the Energy Policy Act of 2005 and promoting its proper implementation and use. Current coalition members include:

- Alliance to Save Energy
- American Institute of Architects
- Building Owners and Managers Association
- Consortium for Energy Efficiency
- IMARK Group
- National Association of Electrical Distributors
- National Association of State Energy Officials
- National Electrical Contractors Association
- North American Insulation Manufacturers Association
- Polyisocyanurate Insulation Manufacturers

Membership is open to all interested parties. For more information, visit www.efficientbuildings.org.

upgrades to their own facilities and take advantage of the deduction for their own businesses. ■■■

Bremer is a freelance writer from Solomons, Md. She can be reached at darbremer@comcast.net.

WINNER'S CIRCLE

Sylvania announces "Light Up Your Home" winner



From left: Sylvania Rep Paula Ziegenbein, New England Patriot Matt Light, and "Light Up Your Home" contest winner Paul Chapman

On Dec. 20, 2005, Osram Sylvania, New England Patriots offensive lineman Matt Light, and radio station WBCN teamed up to provide a complete home lighting makeover for radio contest winner Paul Chapman of Avon, Mass.

Chapman was randomly chosen to receive the prize after entering the Sylvania- and WBCN-sponsored "Light Up Your Home" contest.

For more information about Osram Sylvania's products, circle 300 on the Direct Info card.