



TaxNewsFlash

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Announcement 2023-1: Applicable reference standard for energy efficient commercial building property deduction under section 179D

The IRS today notified taxpayers of the applicable reference standard required to be used to determine the amount of the energy efficient commercial building property deduction allowed under section 179D, as amended by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” (IRA)).

[Announcement 2023-1](#) [PDF 108 KB] identifies the existing reference standard, affirms a new reference standard, and clarifies when each of the two reference standards will apply to taxpayers. The effective date of the announcement is January 1, 2023.

According to the accompanying [IRS release](#), Announcement 2023-1 provides a table to clarify the applicable Reference Standard 90.1 based on when property is placed in service:

- Reference Standard 90.1-2019 is the applicable reference standard for property placed in service after 2026.
- Reference Standard 90.1-2007 is the applicable reference standard for property placed in service after 2014 and before 2027 (except that property the construction of which began before 2023 may apply Reference Standard 90.1-2007)
- Reference Standard 90.1-2001 is the applicable reference standard for property placed in service before 2015.

Announcement 2023-1 also states that the Treasury Department and IRS plan to publish additional guidance to address IRA amendments to section 179D including, but not limited to, procedures for measuring energy use intensity to calculate the alternative deduction for energy efficient building retrofit property.

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