



INCENTIVES & TAX BENEFITS FOR ENERGY EFFICIENCY UPGRADES

PRESENTED BY:



Donnelly Industries
CONSTRUCTION | ENERGY

withum+

AUDIT TAX ADVISORY

SESSION OVERVIEW

Topics to Discuss

- Learning about Energy Efficiency Upgrades
- Available Energy Efficiency Incentive Programs
- Tax Benefits
- Open Forum/Q&A

Guest Speakers

EDWARD CASTELLI

Head of Business Development



BRIAN T. WALLACE, CPA

Tax Partner, Dealer Services





Donnelly Industries
CONSTRUCTION | ENERGY

ABOUT DONNELLY INDUSTRIES

Founded in 1977, Donnelly Construction is a leading general contractor, construction manager, and property developer headquartered in Wayne.

Donnelly Energy, a division of Donnelly Construction, is dedicated to helping New Jersey businesses and “go green” with affordable lighting, HVAC, EV, and solar solutions.





ABOUT WITHUMSMITH+BROWN

Withum is a forward-thinking, technology-driven advisory and accounting firm, helping clients to Be in a Position of StrengthSM in today's complex business environment.

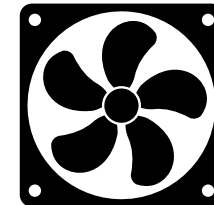


A stylized city skyline illustration in shades of light blue and green. The background features various skyscrapers and buildings. In the foreground, there are several green trees of different shapes, a green car, and two green bicycles. There are also three green recycling bins scattered throughout the scene. The overall aesthetic is clean and modern, representing an eco-friendly urban environment.

AVAILABLE INCENTIVES FOR ENERGY EFFICIENCY UPGRADES

ENERGY EFFICIENCY INCENTIVES: **DIRECT INSTALL**

Direct Install is a small-to-medium sized commercial and industrial energy efficiency program that provides car dealerships with up to 70% off incentives for lighting and HVAC retrofits.



ENERGY EFFICIENCY INCENTIVES: DIRECT INSTALL

Every public utility responsible for administering its own Direct Install program.



ENERGY EFFICIENCY INCENTIVES: DIRECT INSTALL

Each utility Direct Install program operates in a similar format with similar program parameters.

- One-to-one equipment replacements
- Full turnkey service
- Open to commercially-metered facilities in New Jersey
- Must have 12-month average peak demand usage of less than 200 kW

A stylized graphic of a house with a spotlight shining on it. The house is a simple outline with a chimney and a door. A bright white spotlight beam originates from the bottom center and illuminates the house. The background is a light blue gradient.

ENERGY EFFICIENCY INCENTIVES: **DIRECT INSTALL**

- 0% APR financing available for qualifying customers
- Approved network of trade allies/contractors
- Direct Install assessments are free of charge with no obligation

PROACTIVE WITH ENERGY EFFICIENCY



Most dealerships only look to upgrade equipment once they are failing, Direct Install allows you the flexibility to be more proactive.

While Direct Install can upgrade equipment on a measure-by-measure basis, it's important to think “big picture” and look at all of the potential upgrades available to you.

PROACTIVE WITH ENERGY EFFICIENCY



Focus on the low-hanging fruit of energy efficiency; upgrading equipment with energy savings and quicker paybacks.

Depending on measures, many customers find projects to be cash flow positive due to large energy savings and no out-of-pocket costs.

CASE STUDY: DIRECT INSTALL

PROGRAM: JCPL

FISCAL YEAR: 2023



BUSINESS: Dealership (Central Jersey)

TOTAL COST: \$217,600

INCENTIVE: \$118,960

CUSTOMER COST: \$98,640

SCOPE OF WORK:

- Upgrading Outdoor pole lighting to LEDs
- Replacing a 20-ton rooftop unit

KWH SAVED (ANNUALLY): 101,340

THERMS SAVED (ANNUALLY): 1,632

CASE STUDY: DIRECT INSTALL

PROGRAM: NJCEP Direct Install

FISCAL YEAR: 2019

This dealership also recently completed an EV infrastructure project with Donnelly.



BUSINESS: Dealership (North Jersey)

TOTAL COST: \$235,384

INCENTIVE: \$154,926

CUSTOMER COST: \$80,458

SCOPE OF WORK:

- LED relamp/reballasts upgrades
- Replacing packaged roof-top units (10-ton, 15-ton, 20-ton, 7.5 ton) and split systems (2 x 5-ton, 4-ton, 2-ton)
- Upgrading 4 x gas-fired furnaces

KWH SAVED (ANNUALLY): 314,319

THERMS SAVED (ANNUALLY): 6,980

CASE STUDY: DIRECT INSTALL

PROGRAM: PSEG Direct Install

FISCAL YEAR: 2023

This dealership also recently completed an EV infrastructure project with Donnelly.



BUSINESS: Dealership (North Jersey)

TOTAL COST: \$245,000

INCENTIVE: \$196,000

CUSTOMER COST: \$49,000

SCOPE OF WORK:

- 4 x packaged rooftop units (5-ton, 4-ton, 15-ton, and 20-ton)

KWH SAVED (ANNUALLY): 53,917

CASE STUDY: DIRECT INSTALL

PROGRAM: JCPL

FISCAL YEAR: 2023



BUSINESS: Dealership (West Jersey)

TOTAL COST: \$314,000

INCENTIVE: \$251,200

CUSTOMER COST: \$62,800

SCOPE OF WORK:

- Replacing a 40-ton rooftop unit
- Replacing a gas-fired furnace/boiler

KWH SAVED (ANNUALLY): 20,539

THERMS SAVED (ANNUALLY): 4,241

CASE STUDY: DIRECT INSTALL

PROGRAM: NJNG

FISCAL YEAR: 2023



BUSINESS: Dealership (North Jersey)

TOTAL COST: \$152,819

INCENTIVE: \$120,062

CUSTOMER COST: \$32,757

SCOPE OF WORK:

- Water-boiler replacement
- LED lighting

KWH SAVED (ANNUALLY): 3,556

THERMS SAVED (ANNUALLY): 4,554

A stylized, light blue and green illustration of a city skyline. The buildings are represented by simple geometric shapes and patterns. In the foreground, there are several trees of different shapes and sizes, a car, and two bicycles. The overall aesthetic is clean and modern.

TAX BENEFITS

A LITTLE ON INCOME TAXES

- Public Service Announcement – You need to collaborate with your CPA before doing this!!!!
- How will the incentive be treated? Is this taxable income or a reduction in the cost basis?
- Accelerated depreciation on improvements – full expensing under Section 179; 60% “Bonus” depreciation under 168(k)
- Section 179D Deduction



SECTION 179D

- This deduction has been around since 2006, however, the Inflation Reduction Act of 2022 enhanced this deduction:
 - Increased the per square foot deduction to as much as \$5.36, as determined by 2 factors-
 - Meeting prevailing wage and apprenticeship requirements
 - Exceeding energy savings
 - Allows for an alternative deduction for retrofits



SECTION 179D (CONTINUED)

- Who can claim?
 - Building owner
 - Designer
- How does it work?
 - Certification from a “Qualified Individual”:
 - defined as an individual not related to the taxpayer who is an engineer or contractor licensed in the state.
 - Claimed as an “other deduction”
 - Required basis reduction
 - Building owner – reduces the depreciable basis of the building
 - Designer – reduces partnership or S Corp stock basis, as applicable

QUESTIONS AND ANSWERS



THANK YOU FOR JOINING US!



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