YANMAR Energy Systems

SECTION 179D COMPLIANCE 2026

Target Deadline: June 30, 2026 Use this checklist to ensure your commercial retrofit or new build qualifies for the maximum federal tax deduction before the OBBBA sunset.

ELIGIBILITY AUDIT

☐ **Building Type**: Is the property a commercial building, a parking garage, or a multi-family residential building (4+ stories)?

☐ **Scope of Work**: Does the project include energy-efficient improvements to at least one of the following:

- Interior Lighting Systems
- HVAC and Hot Water Systems
- Building Envelope (Roofing, Windows, Insulation)

☐ **Entity Check:** If the building is owned by a tax-exempt entity (Government, Non-profit, School, Tribal), do you have an Allocation Letter naming your firm as the primary designer?

THE "START OF CONSTRUCTION" TEST (MUST MEET ONE BY JUNE 30, 2026)

☐ **Physical Work Test**: Has "physical work of a significant nature" begun on-site? (e.g., excavating for the foundation, setting anchor bolts, or permanent installation of components).

Note: Site clearing and design work do NOT count.

☐ **5% Safe Harbor Test**: Have you paid or incurred at least 5% of the total cost of the energy-efficient property? (Documented via invoices and accounting records).

MAXIMIZING THE DEDUCTION RATE ($5.94 VS $1.19)

☐ **Labor Standards**: Have you implemented Prevailing Wage and Apprenticeship (PWA) requirements?

Crucial: If you do not meet PWA, your max deduction is capped at $1.19/sq. ft. If you meet them, it jumps to $5.94/sq. ft.

☐ **Energy Target:** Has a qualified professional confirmed the project will achieve a minimum 25% reduction in energy/power costs compared to the ASHRAE 90.1 reference building?

REQUIRED DOCUMENTATION FOR FILING

☐ **Energy Model:** An IRS-approved software simulation performed by a third party.

Engineer Certification: A certificate of compliance signed by a licensed Professional Engineer (PE) or contractor in the project's jurisdiction.

☐ **IRS Form 7205:** Completed and ready for the 2026 tax year.

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