Note: *The draft you are looking for begins on the next page.*

Caution: *DRAFT—NOT FOR FILING*

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Most forms and publications have a page on IRS.gov: IRS.gov/Form1040 for Form 1040; IRS.gov/Pub501 for Pub. 501; IRS.gov/W4 for Form W-4; and IRS.gov/ScheduleA for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

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TREASURY/IRS AND OMB USE ONLY DRAFT

Instructions for Form 7205

(Rev. December 2025)

Use With the December 2023 Revision of Form 7205

Energy Efficient Commercial Buildings Deduction

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 7205 and its instructions, such as legislation enacted after this form and instructions were published, go to *IRS.gov/Form7205*.

What's New

Termination date. P.L. 119-21, commonly known as the One Big Beautiful Bill Act, terminated the section 179D energy efficient commercial buildings deduction for property the construction of which begins after June 30, 2026.

Reminders

Form 7205. For energy efficient commercial building property placed in service after December 31, 2022, continue to use the December 2023 revision of Form 7205. For qualifying property placed in service prior to January 1, 2023, use the December 2022 revision of Form 7205.

Maximum deduction. For tax years beginning in 2025, the maximum deduction is $0.58 per square foot at 25% energy saving increasing at a rate of 2 cents per percentage point increased to $1.16 per square foot at 54% energy savings (indexed for inflation).

For tax years beginning in 2026, the maximum deduction is $0.59 per square foot at 25% energy saving increasing at a rate of 2 cents per percentage point increased to $1.19 per square foot at 55% energy savings (indexed for inflation).

See the instructions for line 2, column (b).

General Instructions

Purpose of Form

Use Form 7205 to:

- Calculate and claim the deduction under section 179D for qualifying energy efficient commercial building property placed in service during the tax year,
- Identify yourself as a designer or the building owner,
- Provide information on the person performing the certification, and
- Provide information on the person completing the allocation.

Who Must File

Individuals and business entities that qualify to claim the deduction for energy efficient property (EEP) placed in service during the tax year must file Form 7205 to claim the deduction.

General Information

The following changes from the Inflation Reduction Act of 2022 (IRA) may affect qualifying EEP placed in service after December 31, 2022.

- **Eligibility.** Commercial building owners, as well as designers of EEP installed on or in buildings owned by specified tax-exempt entities are eligible. Specified tax-exempt entities include government entities, Indian tribal governments (section 30D(g)(9)), Alaska Native corporations (section 3 of the Alaska Native Claims Settlement Act), and organizations exempt from tax under chapter 1.
- **Increased deduction maximum.** For projects meeting local prevailing wage and apprenticeship requirements, the applicable dollar values used in determining the maximum deduction amount are multiplied by 5 (before inflation adjustments).
- **Elimination of the partial deduction and the interim lighting rule.** These aspects of the deduction computation have been removed.
- **Alternative deduction for energy efficient building retrofit property (EEBRP).** The section 179D deduction for EEBRP is effective for property placed in service after December 31, 2022, in tax years ending after this date, if the property is placed in service pursuant to a qualified retrofit plan established after this date. Section 179D requires the energy use intensity (EUI), defined later, of the building on or in which EEBRP is installed be certified by a qualified professional as of any date more than 1 year after the date the retrofit property is placed in service. Because of this requirement, the section 179D deduction for EEBRP is not available in tax years ending on or before December 31, 2023.
- **Building lifetime maximum deduction amount.** Under prior law, all prior section 179D deductions for a building were counted towards the maximum deduction for the building. For property placed in service after December 31, 2022, only the section 179D deductions claimed in the prior 3 years (4 years for an allocated deduction) are counted towards the maximum deduction for the building.

Additional Information

For more information, see section 179D. Also, see the following.

- Notice 2006-52, 2006-26 I.R.B. 1175, available at *IRS.gov/irb/2006-26_IRB#NOT-2006-52*.

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- Notice 2008-40, 2008-14 I.R.B. 725, available at IRS.gov/irb/2008-14_RB#NOT-2008-40.
- Notice 2012-26, 2012-17 I.R.B. 847, available at IRS.gov/irb/2012-17_IRB#NOT-2012-26.
- Announcement 2023-1, 2023-3 I.R.B. 422, available at IRS.gov/irb/2023-03_IRB#ANN-2023-1; supplemented and superseded by Announcement 2024-24, 2024-24 I.R.B. 1675 (or any successor), available at IRS.gov/irb/2024-24_IRB#ANN-2024-24.

Definitions

Energy efficient property (EEP). This is property that is either:

- Energy efficient commercial building property (EECBP), or
- Energy efficient building retrofit property (EEBRP).

EECBP is property that meets the following criteria.

- Is depreciable property.
- Is installed on or in a building located in the United States, and within the scope of Reference Standard 90.1 (defined below).
- Is installed as part of the interior lighting systems, heating, cooling, ventilation, and hot water systems, or the building envelope.
- Is certified as being installed as part of a plan designed to reduce the total annual energy and power costs with respect to the interior lighting systems, heating, cooling, ventilation, and hot water systems of the building by 25% or more in comparison to a reference building which meets the minimum requirements of Reference Standard 90.1.

EEBRP is property installed pursuant to a qualified retrofit plan that meets the following criteria.

- Is depreciable.
- Is installed on or in any qualified building.
- Is installed as part of the interior lighting systems, heating, cooling, ventilation, and hot water systems, or the building envelope.
- Is certified by a qualified professional as being installed according to such plan.

See section 179D(f)(4) for additional requirements.

Reference Standard 90.1. This standard means, with respect to any property, the more recent of (a) Standard 90.1-2007 published by the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America; or (b) the most recent Standard 90.1 published by the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America for which the Department of Energy has issued a final determination and which has been affirmed by the Secretary, after consultation with the Secretary of Energy, not later than the date that is 4 years before the date that such property is placed in service. See *Announcement 2024-24* for the applicable reference standard.

Building square footage. This is the sum of the floor areas of the conditioned spaces within the building, including basements, mezzanine, and intermediate-floored tiers; and penthouses with headroom height of 7.5 feet or greater. Building square footage is measured from the exterior faces of exterior walls or from the centerline of walls separating buildings, but excludes covered walkways, open roofed-over areas, porches and similar spaces, pipe trenches, exterior terraces or steps, chimneys, roof overhangs, and similar features.

Special Rules

Qualified individual. A certification completed by a qualified individual is required for both building owners and designers to claim the EECBP deduction. The certification must meet the requirements specified in *Notice 2006-52*, Section 4.

A qualified individual is an individual that:

- Is not related to the person or entity claiming the deduction;
- Is an engineer or contractor that is properly licensed as a professional engineer or contractor in the jurisdiction in which the building is located; and
- Has represented in writing that he or she has the requisite qualifications to provide the certification required under *Notice 2006-52*, Section 4, or to perform the inspection and testing described in *Notice 2006-52*, Section 4.05.

Qualified professional. A certification completed by a qualified professional is required for both building owners and designers to claim the EEBRP deduction. The certification is done as part of a qualified retrofit plan as provided in section 179D(f)(2). A qualified professional (for EEBRP only) is an individual who is a licensed architect or a licensed engineer and has the credential to create the qualified retrofit plan and perform the certifications required to obtain the EEBRP deduction.

Designer. An allocation of the EECBP deduction to the designer of a building owned by a specified tax-exempt entity must be in writing and meet the requirements of *Notice 2008-40*, Section 3.04, in order for the designer to claim the deduction. See *Designer of energy efficient property (EEP)* for additional requirements.

Increased deduction amount. Taxpayers that satisfy the prevailing wage and apprenticeship requirements with respect to an installation of EEP (or property installed pursuant to a qualified retrofit plan) may claim an increased deduction amount. You may also be eligible to claim the increased deduction amount if the installation of the EEP (or property installed pursuant to a qualified retrofit plan) began before January 29, 2023.

Prevailing wage requirements. To satisfy the prevailing wage requirements with respect to any EEP (or property installed pursuant to a qualified retrofit plan), you must ensure that any laborers and mechanics employed by you or any contractor or subcontractor in the installation of the property are paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality in which such facility is located as most recently determined by the Secretary of Labor (according to subchapter IV of chapter 31 of title 40, U.S. Code).

Apprenticeship requirements. To satisfy the apprenticeship requirements with respect to any EEP (or property installed pursuant to a qualified retrofit plan), you must ensure that, with respect to the installation of the property, not less than the applicable percentage of the

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total labor hours of the installation, construction, alteration, or repair work (including such work performed by any contractor or subcontractor) with respect to such property is, subject to section 45(b)(8)(B), performed by qualified apprentices (apprenticeship labor hour requirements).

If the increased deduction amount criteria are met because the prevailing wage requirement and the applicable apprenticeship requirements are met, complete Form 7205 to claim the increased deduction amount for EEP placed in service during the tax year. Attach a statement to your timely filed income tax return (including extensions). The statement should include information to establish that you satisfy the prevailing wage and apprenticeship requirements.

You must maintain and preserve sufficient records, including books of account or records for work performed by laborers to install the property, to establish that you satisfied the prevailing wage and apprenticeship requirements to claim the increased tax benefit.

See the instructions for line 1, column (d). For more information on the prevailing wage and apprenticeship requirements, see Notice 2022-61, 2022-52 I.R.B. 560, available at *IRS.gov/irb/2022-52_IRB#NOT-2022-61*, and final regulations, Increased Amounts of Credit or Deduction for Satisfying Certain Prevailing Wage and Registered Apprenticeship Requirements (TD 9998), available at *federalregister.gov/documents/2024/06/25/2024-13331/increased-amounts-of-credit-or-deduction-for-satisfying-certain-prevailing-wage-and-registered*. Also, see *IRS.gov/PrevailingWageandApprenticeshipFAQs*.

Specific Instructions

If claiming the deduction for more than four properties, complete and attach as many Forms 7205 as needed to list the properties. However, complete Part II, line 3 (for total section 179D deduction), on only one Form 7205. The line 3 amount on that form should include the combined total for all properties reported on all Forms 7205. See the instructions for Part II, line 3.

Who Is Claiming the Deduction

At the top of Form 7205, check the status that applies to the person claiming the deduction. Check **only** one status.

Building owner. Check the "Building owner" box if you are the owner of the building and are claiming the deduction for qualifying property installed on or in your building.

Designer of energy efficient property (EEP). If EEP is installed on or in property owned by a specified tax-exempt entity, the deduction may be allocated to the person primarily responsible for designing the property in lieu of the owner of such property. Check the "Designer" box if all the following are true.

- You are the person primarily responsible for designing the EEP (the designer).
- You created the technical specifications for installation of the EEP on or in property owned by the specified tax-exempt entity. A person that merely installs, repairs, or maintains the property is not a designer.
- The specified tax-exempt entity building owner provided you a written statement allocating the deduction to you.

For purposes of section 179D, if a deduction is allowed under this section with respect to any energy efficient commercial building property, the basis of such property shall be reduced by the amount of the deduction so allowed. The owner of the public building is also required to reduce the basis of the energy efficient commercial building property (or partially qualifying commercial building property) by the amount of the section 179D deduction allocated.

Part I—Building and EEP Information

Line 1, Column (a)

Enter the name, street address, city or town, state, and ZIP code of building(s) on or in which the EEP is installed. Keep buildings separated on lines A, B, C, and D.

Line 1, Column (b)

Enter the date the property was placed in service.

Line 1, Column (c)

Enter the appropriate percentage (rounded to two decimal places):

- **Energy savings percentage** for the applicable building systems, computed using the Performance Rating Method (PRM), as specified in *Notice 2006-52*; or
- **Energy use intensity (EUI)** reduction for a building on or in which EEBRP is installed expressed as energy per square foot per year. EUI is calculated by dividing the total energy consumed by the building in one year (measured in kBtu) by the building square footage.

Line 1, Column (d)

Check the box in column 1(d) **only** if the following criteria for the increased deduction amount are met.

- Installation of EEP (or property installed pursuant to a qualified retrofit plan) began prior to January 29, 2023; or
- Laborers and mechanics employed by you or any contractor or subcontractor in the installation of EEP (or property installed pursuant to a qualified retrofit plan) are paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality in which such EEP is located as most recently determined by the Secretary of Labor; and
- Any applicable apprenticeship requirements are met.

For more information regarding the prevailing wages and apprenticeship requirements, see *Notice 2022-61* and TD 9998. Also, see *Increased deduction amount*, earlier.

Line 1, Column (e)

Check the box in column 1(e) **only** if EEBRP was installed on or in the building under a qualified retrofit plan. If both EECBP and EEBRP were installed on or in the same building, enter the EECBP information on a separate line. For example, enter EEBRP information for Building 1 on line 1A and EECBP information for Building 1 on line 1B.

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Line 1, Column (f)

Use the Worksheet for Form 7205, Line 1, Column (f) to compute the total potential amount per square foot. Each building has a maximum amount per square footage limit for the 3 tax years immediately preceding the current tax year. For a building where the deduction is appropriately allowable to a person other than the building owner, the building's maximum amount for square footage limit applies to the 4-tax-year period immediately preceding the current tax year. Once the limit is reached, no further section 179D deductions may be taken for the building during the applicable period. See the instructions for line 2, column (b), later, for the maximum amount allowed.

Line 1, Column (g)

Enter the building square footage for the property. See the definition of building square footage, earlier.

Part II—Computation of Energy Efficient Commercial Buildings Deduction Amount

Line 2, Column (a)

Enter the total per square foot dollar amount that was claimed for the building in the prior 3 (or 4, if applicable) tax years. The total amount for the building includes the amount you claimed, and amounts claimed by others, including previous owners of the building.

1.	Enter the total deduction for the building claimed in the prior 3 tax years* by you and/or any other parties	1. _____
2.	Enter the amount from Form 7205, line 1, column (g) for the building	2. _____
3.	Divide line 1 by line 2. Enter this amount on Form 7205, line 2, column (a)	3. _____

*Use a 4-tax-year period if the deduction is allowable to the designer.

Line 2, Column (b)

Subtract line 2, column (a), from the maximum full amount allowed (from the chart below) for the tax year.

The maximum amount allowed each year is as follows.

Tax year	Maximum full amount allowed	Maximum partial amount allowed
All years beginning before January 1, 2021	$1.80	$0.60
For tax years beginning on or after January 1, 2021	$1.82	$0.61
For tax years beginning on or after January 1, 2022	$1.88	$0.63
	Maximum amount allowed—line 1(d) checked	**Maximum amount allowed—line 1(d) not checked**
For tax years beginning on or after January 1, 2023	$5.36	$1.07
For tax years beginning on or after January 1, 2024	$5.65	$1.13
For tax years beginning on or after January 1, 2025	$5.81	$1.16
For tax years beginning on or after January 1, 2026	$5.94	$1.19

The maximum amounts allowed may be adjusted for inflation. Inflation adjustment amounts are available at *IRS.gov/Newsroom/Inflation-Adjusted-Tax-Items-by-Tax-Year*. Select the applicable tax year's news release, then click the Revenue Procedure link and search for "section 179D" to see the maximum amount allowed for the tax year.

Line 2, Column (d)

If line 2, column (c), is checked, enter the amount from line 1, column (h); skip line 2, columns (e) and (f); and go to column (g). If line 2, column (c), is not checked, enter zero on line 2, column (d); and go to line 2, column (e).

Line 2, Column (g)

Enter the cost of EEP placed in service during the tax year. The cost of EEP does not include the total cost of the building or general renovation. It is limited to the cost of the building systems that make up the EEP. See the definition of EEP, earlier. EEP does not include property such as ovens and fryers, manufacturing equipment, elevators or escalators, or exterior lighting.

If you are a building owner with a partial building ownership, refer to your ownership or lease agreement to determine how the expense is to be allocated among the owners. Only enter your allocated portion of the cost of EEP placed in service during the year.

Line 2, Column (h)

In column (h), enter the greater of column (d) or column (f). If you are a building owner with a partial building ownership, refer to your ownership or lease agreement to determine how the amount should be allocated among the owners. Only enter your allocated portion of the computed

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amount per square foot in column (h). It will generally be your allocated percentage, as defined in the ownership agreement, multiplied by the greater of column (d) or column (f).

Line 2, Column (j)

Designers. If you are claiming the deduction as the designer of EEP, you may only claim the amount the specified tax-exempt entity building owner has allocated to you on the appropriate allocation documents. Enter the dollar amount allocated to you as designer on line 2, column (j).

Line 3. Total Section 179D Deduction

Add the amounts in line 2, column (k). Enter the total on line 3. Also, include the total on the applicable line of your tax return. For example, if filing Form 1120, include the total on line 25. Attach Form 7205. See the instructions for your tax return.

If you are claiming the deduction for more than four properties, complete as many Forms 7205 as needed to list them. However, complete line 3 on only one form. That line 3 amount should include the combined total of all properties reported on all Forms 7205.

Part III—Certification Information for Each Property Listed in Part I

Enter the information regarding the qualified individual who completed the certification for each claimed property. See *Qualified individual*, earlier. If box 1(e) of Part I is checked, enter the information regarding the qualified professional who completed the qualifying final certification for the property. See *Qualified professional*, earlier.

Part IV—Designer Allocation Information for Each Property Listed in Part I

Complete this section ***only*** if you checked the Designer box at the top of the Form 7205.

Enter the information regarding the specified tax-exempt entity building owner and the individual completing the allocation form.

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Worksheet for Form 7205, Line 1, Column (f) (complete for each building)

Keep for Your Records

This worksheet figures the total potential amount per square foot for tax years beginning on or after January 1, 2026. See the instructions for line 1, column (f).

1.	Enter the percentage from Part I, line 1(c)		1. _____
2a.	If the percentage is less than 25%, STOP; you cannot claim the deduction for this building. If the percentage is 25% or greater, enter the percentage as a decimal, rounded to two decimal places (for example, 26.22% enter as "0.26")	2a. _____	
2b.	Subtract 0.25 from line 2a and enter the result here	2b. _____	
2c.	Multiply line 2b by 2	2c. _____	
2d.	Add 0.59 to line 2c and enter the result as a dollar amount (for example, 1.03, enter as $1.03)	2d. _____	
3.	If the amount on line 2d is greater than $1.19, enter $1.19. Otherwise, enter the amount from line 2d		3. _____
4a.	If the box on Form 7205, line 1, column (d), is **checked**, enter the amount from line 2b of this worksheet here. If the box on Form 7205, line 1, column (d), is **not checked**, skip to line 5 and enter the amount from line 3 of this worksheet on line 5	4a. _____	
4b.	Multiply line 4a by 12	4b. _____	
4c.	Add 2.97 to line 4b and enter the result as a dollar amount (for example, 5.36, enter as $5.36)	4c. _____	
4d.	If the amount on line 4c is greater than $5.94, enter $5.94. Otherwise, enter the amount from line 4c	4d. _____	
5.	If the box on Form 7205, line 1, column (d), is **checked**, enter the amount from line 4d of this worksheet here. If the box on Form 7205, line 1, column (d), is **not checked**, enter the amount from line 3 of this worksheet here. Also, enter the amount from line 5 on Form 7205, line 1, column (f)		5. _____

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form, or its instructions, must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	51 min.
Preparing, copying, assembling, and sending the form to the IRS	10 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from *IRS.gov/FormComments*. Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

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