

SustainableMemo

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A newsletter of the Illinois Manufacturers' Association



July 22, 2009

BRIEFLY

Business development seminar: Foreign-Trade Zones: Advantages & Opportunities — July 29 — University of Evansville, Evansville, Indiana

A business development seminar titled 'Foreign-Trade Zones: Advantages & Opportunities' will take place Wednesday, July 29, at the University of Evansville. Sponsored by the Ports of Indiana, Sperry Van Ness/Martin commercial Group and the Evansville-Vanderburgh Airport Authority, this event will feature FTZ expert Scott Taylor of Miller & Co. from Kansas City, Mo. Business and community leaders are invited to come learn how FTZs can help businesses compete in global markets. The event is also supported by the Tri-State World Trade Network and the University of Evansville's Institute of Global Enterprise in Indiana.

Guest speaker Scott Taylor is an attorney with Miller & Company, a law firm serving a diverse clientele in international trade, customs and FTZ law.

Topics to be discussed include an overview of the Foreign-Trade Zones program, types of zones and companies in zones, financial savings opportunities, how to activate a zone with U.S. Customs and the expedited process for manufacturing approval.

The Foreign-Trade Zones Program on Wednesday, July 29, will start with registration and a continental breakfast at 7:00 a.m., followed by the program from 8:00 a.m. until noon. It takes place at Smythe Hall – Schroeder Family School of Business Administration, University of Evansville, 1800 Lincoln Ave., Evansville, Indiana. Attendees need to pre-register by Friday, July 24. Admission is free. To register, contact Debbie Albin, 812-425-7232 or dalbin@ccswin.com.

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Chu announces joint U.S.-China Building Efficiency MOU

BEIJING, CHINA — After touring the "America House," a U.S. designed demonstration of cutting edge "zero energy" building technology, U.S. Energy Secretary Steven Chu announced on July 16th a new agreement between the U.S. Department of Energy (DOE) and the Chinese Ministry of Urban-Rural Development (MOHURD) to foster collaboration and partnership in the development of improved, more efficient building designs as well as sustainable communities that rely on greater use of renewable energy.

"Making buildings more efficient represents one of the greatest, and most immediate opportunities we have to create jobs, save money, save energy and reduce carbon pollution," said Secretary Chu. "Our goal should be buildings that are 80 percent more efficient. Doing so will save families money and create millions of jobs in both countries."

Under the agreement, the United States and China will exchange experts and technicians to learn from each other's experiences with efficient building technologies, including: high-performance HVAC, insulation, lighting, cold storage, geothermal heat pumps, building-integrated photovoltaics and solar thermal systems.

The United States and China will jointly conduct analyses of lessons learned from international experience with energy-efficient buildings and communities. They will examine options for policy incentives or regulatory reform to encourage energy-efficient development in China.

The two nations will also explore the feasibility of a joint project in China to demon-

strate green buildings, building energy savings and renewable energy technologies. The U.S. Government will provide support for MOHURD's "eco-cities" initiative, which aims to build integrated green cities that are sustainably designed, use renewable power and have efficient and modern transportation systems. The two nations will collaborate on the development of standards and guidelines for eco-cities.

In the United States, 75 percent of all electricity generated at power plants is used to operate buildings. China is expected to build the equivalent of the entire U.S. building stock in the next 15 years. Nearly half the new floor space built in the world every year is built in China.

Buildings use around 40 percent of energy globally and account for nearly half of greenhouse gas emissions. But at least 30 percent of emissions from the building sector could be eliminated at no net cost by simply upgrading old buildings and using modern equipment in new buildings.

With this announcement, the U.S. and China recognize that improving energy efficiency in buildings will benefit both nations, and that by working together they can accelerate the adoption of new clean energy technologies.

The memorandum of understanding (MOU) on energy-efficient buildings and communities was signed July 15th on behalf of the United States by David B. Sandalow, Assistant Secretary of Policy and International Affairs at the Department of Energy, and on behalf of China by Qiu Baoxing, Vice Minister of MOHURD.

IMA's Young Leaders Council Fall Conference

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IMA'S SUSTAINABLE MEMO IS UNDERWRITTEN BY:



Achieving sustainability advantageous to manufacturers

Remember when “sustainability” was something to which organizations aspired but weren’t forced to adhere? While “forced” may be a bit strong, there’s no doubt that regulators are ramping up their efforts to encourage companies to focus on sustainability. As a result, many organizations are going through the process of identifying items that would create energy savings over the long term.

One way to go about this is to leverage Section 179D deductions and subsequent savings from the Energy Policy Act of 2005 to fund larger alternative energy projects. Here’s an overview of the options for businesses and alternative energy developers and producers.

Businesses

A few years ago, the U.S. market share of renewable energy products was composed almost entirely of European manufactured products. However, as product diversification and the search for new sales outlets became increasingly important to many U.S. businesses, the alternative energy market has become the new frontier. Here are a few opportunities for businesses to consider:

- The Energy Policy Act of 2005 includes a tax deduction of up to \$1.80 per square foot for investments in “energy-efficient commercial building property.” These investments must significantly reduce energy costs by updating the heating and cooling, building envelope, and interior lighting components in new or existing commercial buildings.
- The American Recovery and Reinvestment Act of 2009 has created a 30 percent investment tax credit or cash grant on qualified costs (including installation) on equipment used for producing alternative energy products, such as energy storage systems, wind

turbines, or other components of renewable energy systems.

- Businesses looking to demonstrate their investment in energy efficiency can obtain LEED certification. In the United States and a number of other countries around the world, LEED certification is the recognized standard for measuring building sustainability. Achieving LEED certification is the best way for a business to demonstrate that a building project is truly “green.” While there currently aren’t any federal tax incentives for producing LEED-certified commercial buildings, there are numerous direct and indirect cost benefits such as decreased energy bills, project marketability, and an increased sales price when the building is sold in the future.

Alternative energy developers and producers

Perhaps the biggest winners within the current alternative energy market are project developers of energy facilities that produce electricity. Thanks to advantageous financing options such as upfront cash grants, investment tax credits, production tax credits, favorable depreciation rules, and clean renewable energy bonds, these capital-intensive projects, which historically haven’t provided adequate investment returns, may now be financially viable.

Under the new law, developers looking to build qualified renewable energy projects, such as wind, solar, biomass, as well as other forms of renewable energy, can see as much as 30 percent of the total project cost returned to them in the form of a cash grant within 60 days of placing the project in service.

Failure to become sustainable will have repercussions

Sustainability goes beyond corporate responsibility and includes making an investment in your piece of the new energy infrastructure. Regulators are using a carrot and stick approach to encourage organizations to become sustainable. The carrots, as you can imagine, come in the form of credits, deductions and grants. The sticks will be

in the form of the cap and trade system that is currently being discussed in Congress. Don’t be one of the organizations punished for being unable to achieve sustainability. Take advantage of the carrots, and learn how you can capitalize on the incentives available to you for your projects.

For more information, contact Jonathan Winterkorn, CPA, Manager, Plante & Moran, PLLC, at jonathan.winterkorn@plantemoran.com.

Study: Wind, geothermal are most efficient renewable energy sources

As the U.S. Congress debates an energy and climate bill, government organizations and corporations are assessing renewable energy alternatives. Which are the most efficient and improving the fastest? According to a new study from NYU’s Stern School of Business, geothermal and wind energy are more efficient, and are yielding greater returns on the R&D invested in them, than most other renewable energy alternatives.

NYU Stern Professor Melissa Schilling, an expert in strategic management and technology and innovation management, finds that the cost of generating electricity with geothermal or wind energy is a fraction of the cost of solar energy. More important, the performance of both is improving much more per dollar of R&D invested in them than solar technologies. This is the first study to explore the trajectory of performance improvement of renewable energy alternatives.

Schilling examined data on government R&D investment and technological improvement and found that geothermal energy is the most efficient renewable energy alternative and is improving the fastest. Wind energy is second.

In addition, fossil fuel technologies are no longer improving (in terms of efficiency) much — if at all.

According to Stern, geothermal energy could become cheaper than fossil fuels with R&D spending of as little as \$3.3 billion.

Both geothermal and wind energy technologies have been underfunded by national governments relative to funding for solar technologies, and government funding of fossil fuel technologies might be excessive given their diminishing performance, the report concludes.

The full paper was recently published in Energy Policy and is available as a PDF at w4.stern.nyu.edu/news/docs/IEPO_Technology_S_Curves.pdf.

Renewable Energy Fun Facts

- Utility grade wind turbines installed today can reach up to 360 feet tall and have a “wing span” of more than 300 feet – that’s larger than a Boeing 747.
- In just one hour, the Earth receives more energy from the sun than the entire world uses during a whole year.
- The easiest and most cost-effective way of reducing your utility bills and becoming “green” is to simply reduce your energy consumption.
- The earliest known windmills were in Persia and looked like large paddle wheels.
- During the 15th century, Leonardo da Vinci already had plans for solar concentrators in his notebooks.

Looking for another incentive to go green? Congress is providing you with the opportunity

Recent legislation provides additional incentives for taxpayers to make commercial properties more energy efficient. Companies owning or leasing recently constructed or retrofitted commercial buildings may be eligible for an accelerated deduction for part or all of the costs associated with interior lighting systems, heating, ventilating, and air conditioning (HVAC) systems, hot water systems, and other physical components of the building structure are potentially eligible for the incentives.

The Energy Improvement and Extension Act of 2008 extends the deduction for energy efficient commercial building properties (IRC §179D) from December 31, 2008 to December 31, 2013. Code Section 179D allows for the deduction for part or all of the cost of energy-efficient commercial building or certain qualifying commercial building property placed in service before January 1, 2014.

How can I qualify for a Section 179D deduction? One of the first qualifications for this deduction is that the building must be located in the United States for which depreciation or amortization is allowable.

The qualified property must be installed as part of the interior lighting systems, HVAC and hot water systems, and/or the building structure (insulation, exterior doors, exterior windows, etc.)

Lastly, the installation of the property must receive a certification that the total annual energy and power costs are reduced by 50 percent or more as compared to Standard 90.1-2001 (ASHRAE Reference Building) and reductions in any other energy uses, like power and refrigeration reductions, are not taken into account. Standard 90.1-2001 has been further defined in Notice 2006-52 as "Energy Standard for Buildings Except Low-Rise Residential Buildings."

Who can issue the certification? The certification must be performed by an individual that is not related, within the meaning of Section 45(e)(4), an engineer or contractor that is properly licensed in the same jurisdiction as the property, and who has represented, in writing, to the taxpayer that the individual is qualified.

How is energy reduction calculated? In order to calculate the energy and power consumption, a qualified software program, defined by Section 179D(d)(3), must be used. Section 179D(d)(3) specifies the

qualified software programs as programs that meet the procedures and methods for calculating the energy consumption and costs provided by the Secretary, including forms required to be filed with the Secretary and notice forms which document the projected annual energy costs and efficiency features of the building.

What kind of deduction can I receive? A maximum deduction of \$1.80 per square foot of the building is allowed. If the 50 percent or more qualification is not met for the whole building, but is met for a separate building system, a partial deduction in the amount of \$0.60 per square foot is allowed.

A partial deduction is calculated based on the certifications of each separate building system (interior lighting systems, HVAC and hot water systems, and building envelope). For example, if the interior lighting component of the building system is updated, and meets the 50 percent improved energy requirement for that component, an allowable deduction of \$0.60 per square foot of the building may be taken.

Below is an example displaying the difference between the maximum deduction amount and the partial deduction amount immediately expensed on the tax return:

A company constructs a 200,000 square foot office facility that meets all the requirements for certification. Once the certification has been received, the company is eligible for a maximum deduction of \$1.80 per square foot of the building. This deduction allows for an immediate expense on the tax return of \$360,000.

On the other hand, if a 200,000 square foot facility is remodeled to replace the existing lighting system, only a partial deduction, of \$0.60 per square foot is allowed as a deduction if the appropriate certification is obtained. This deduction results in a \$120,000 immediate expense on your tax return.

What about public property? An allocation of the deduction can be made to the person primarily responsible for designing the property in lieu of the owner of such property when the property is owned by a Federal, State or local government (Section 179D(d)(4)).

If you have recently made changes to a property to make it more energy efficient, this deduction could benefit your company now. Whether you have just recently built a new facility, or retrofitted an existing property, an opportunity exists for you to receive an immediate benefit on your tax return. Take advantage now!

Written by RSM McGladrey, State and Local Tax Manager Bob Weigel and Emily Hehmeyer, tax associate. Bob can be reached at bob.weigel@rsmi.com.

DATES OF NOTE

More information/events may be found at <http://www.ima-net.org/calendar.cfm> and <http://www.ima-net.org/MIT/open.cfm>
Email: jstanley@ima-net.org

July 30, 2009

IMA EVENT: H1N1 Flu: Education & Awareness

NIU-Naperville Campus, 1120 E. Diehl Rd., Naperville — 8:30–11:00 am

Emergency Preparedness, Response & Recovery — Presented by Jim Brachmann, Emergency Preparedness Specialist, 3M Occupational Health & Environmental Safety Division. COST: \$125 IMA members (\$100 each additional member); \$200 Non-members. Contact: Kimberly McNamara, 800-482-0462, Ext. 2109, email: kmcnamara@ima-net.org.

August 7, 2009

IMA's Small Manufacturers Council — Oak Brook

The Small Manufacturers Council provides a forum for key representatives of small manufacturers to discuss industry trends from a governmental standpoint as well as innovations that can effect day to day efforts. Join us in Oak Brook. Contact: Kimberly McNamara, 800-482-0462, Ext. 2109, email: kmcnamara@ima-net.org.

August 11, 2009

IMA-MIT Event: Essential Internal Training Skills and Techniques, DePaul University O'Hare Campus, 3166 S. River Rd, Des Plaines

This program introduces the new internal trainer or subject matter expert to the skills necessary for them to be successful. Essential Internal Training Skills and Techniques covers core skills such as how to create rapport with your learner, how to communicate learning objectives, how to introduce a learning activity, how to ask the right question, and how to engage and re-engage the adult learner.

August 20, 2009

IMA-MIT Event: Customer Service Skills and Excellence, DePaul University O'Hare Campus, 3166 River Rd, Des Plaines

It's not just you. It's a fact. Customers are more demanding today than ever before! Complaints to Better Business Bureaus and state regulatory agencies are at an all time high, and growing! The words "may I speak to your supervisor?" are heard with increased regularity, urgency and intensity. Rather than just responding to the customer's request or demand, the most effective customer service professionals strategically gain control of the inquiry. Remember, it is not just telephone calls anymore, accurately predicting the customer's position and proactively providing the desired results in advance is the goal.

August 25, 2009

IMA-MIT Event: Effective Presentation Skills, DePaul University O'Hare Campus, 3166 River Rd, Des Plaines

Today's business presenter must know how to create and articulate a clear and concise message, respond to questions in an effective and logical manner, and create and use compelling visual aids. This interactive, energetic workshop will provide the business presenter with all of the necessary skills required to deliver a winning presentation. The workshop will introduce and reinforce these skills by having the participant deliver three videotaped presentations.