



## REPLACE aging HVAC equipment with the help of

### TAX BENEFITS FROM THE 2020 CARES ACT

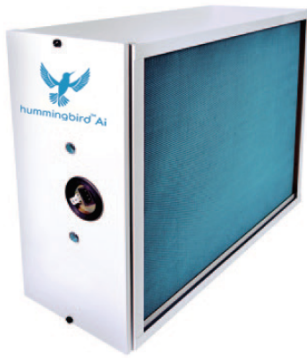


**With the passage of the 2020 Coronavirus Aid, Relief and Economic Security (“CARES”) Act, the purchase and installation of New HVAC equipment and building automation systems may now qualify for a more immediate tax deduction under Section 168 of the IRS Code and reduce tax liability.**

**The new tax law makes qualified improvement property (“QIP”) for non-residential buildings eligible for a full tax deduction in the first year that it’s placed in service.**

**Prior to this tax law change, QIP was depreciated over a 39 year period. Under Section 168 of the tax code, QIP includes the cost of all equipment and components of the “heating, ventilating and air conditioning system.”**

**The CARES Act makes QIP eligible for accelerated depreciation, businesses can quickly realize potential tax savings and reduce year 1 outlay for critical equipment purchases.**



## Key Benefits Include:

- Full tax deduction for the cost of the equipment and labor related to interior improvements to non-residential property. New construction does not qualify.
- No limitation to the deduction amount.
- Retroactive to include costs of QIP placed in service after September, 27, 2017
- May be combined with eligible utility rebates.

This change can create savings for your business. For example, a business with a 21% tax rate that purchases \$100,000 of HVAC equipment in 2020 could save \$21,000 on its 2020 tax liability.

The following table illustrates the impact that this change may have to the first-year investment:

	After the CARES Act	Prior to the CARES Act
<b>HVAC Equipment Investment</b>	\$100,000	\$100,000
<b>Year 1 Tax Depreciation</b>	\$100,000	\$2,564
<b>Corporate Tax Rate</b>	21%	21%
<b>Reduction in Year 1 Tax Liability</b>	\$21,000	\$538
<b>Net Cash Outlay</b>	<b>\$79,000*</b>	<b>\$99,462</b>

- The amount and examples described here are for illustrative purposes only. Please consult your tax advisor to determine the applicability to your business and the tax ramifications.

**For more information, contact Fire Technology Innovations:**

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