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Important Information from Your Linc Service Contractor

Tax Breaks Available for Energy Efficient HVAC Upgrades

The Tax Cuts and Jobs Act makes it easier for commercial facilities to take on HVAC upgrades by allowing facility owners to immediately deduct HVAC-related products as a business expense.

[The Tax Cuts and Jobs Act](#), which went into effect on January 1, 2018, includes a provision, under Section 179 – Small Business Expensing, allowing all new components of a heating, ventilation, and air-conditioning system to be deducted in the first year, instead of being depreciated over 39 years.

This initiative, championed by Air Conditioning Contractors of America, was included in the new tax law and was signed into law on December 22, 2017.

Here are provisions of the law that may help improve the financial Return on Investment for [Air Temp Heating & Air Conditioning, Inc.](#) clients who install new HVAC components:

26 U.S. Code § 179 - Election to expense certain depreciable business assets

- (a) Treatment as expenses — A taxpayer may elect to treat the cost of any section 179 property as an expense which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which the section 179 property is placed in service.
- (f) Qualified Real Property. — For purposes of this section, the term ‘qualified real property’ means—
 - (2) Any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service:
 - (B) Heating, ventilation, and air-conditioning property.

What does this mean for commercial building owners?

It means that the cost of *any* commercial HVAC equipment placed in service after January 1, 2018 can be deducted as a business expense under Section 179.

For example, if a business owner installs a new HVAC rooftop unit, which costs \$14,000 for equipment and labor, the owner would be able to deduct the full cost of the equipment and installation from their business’ income during the same year it was purchased and installed.

Under old depreciation rules, the owner could only claim approximately \$350 in depreciation expense annually over 39 years.

At the top marginal tax rate that would be applied to this purchase, this will save the business owner \$5,180 in taxes. That translates to a 2.7 year payback, before factoring in energy and other operational cost savings!

View an infographic breaking down the tax benefits [here](#), provided by United Refrigeration.

Prior to installing new HVAC equipment, Air Temp Heating & Air Conditioning, Inc. advises clients consult a tax professional to ensure eligibility for the Section 179 deduction.

The Tax Cuts and Jobs Act can be found in its entirety [here](#).