

# 2020 Tax Benefits Available through CARES Act



## Tax Breaks Available for HVAC Upgrades



The Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress in March 2020 aims to provide relief to businesses and individuals negatively impacted by the COVID-19 pandemic. In addition to loans and employment benefits, the CARES Act contains several tax saving benefits for businesses.

Under Section 168 of the tax code, the cost of all equipment and components of the “heating, ventilating, and air conditioning system” can be fully deducted for tax purposes in the first year it is placed in service versus over a 39 year period. For commercial buildings, the cost of HVAC equipment placed into service in 2020 may be fully deducted as a business expense.

Taxpayers may claim 100% bonus depreciation for qualified property acquired and placed in service after September 27, 2017, and before January 1, 2023. Because of the new technical amendments, taxpayers that make or have made improvements to their facilities may now take appropriate steps to claim the missed 2018 100% bonus depreciation.

### Section 168 may help improve the financial return on investment for clients who install new HVAC components:

- Allows a tax deduction for the full amount of equipment and labor costs that are considered improvements to the interior of a non-residential or commercial building (new construction does not qualify).
- No limitation on the cost of equipment that can be purchased.
- Available for leased or purchased equipment, including installation labor.
- Combine with utility rebates to offset equipment cost.
- Retroactive for costs incurred back to January 1, 2018.

### Example of how the tax benefits may be applied:

- Business owner installs a new heating and air-conditioning system with equipment and installation cost of \$1,000,000.
- Under the previous depreciation rules, the business owner would claim approximately \$25,641 in depreciation deductions annually over 39 years for a year one net equipment cost of \$994,616.
- Under the new law, the owner now may deduct the full equipment and installation cost of \$1,000,000 from their business income the year of purchase and installation.
- At the business tax rate of 21%, this saves the business owner \$210,000 in taxes, effectively lowering the cost of the equipment.

Impact of Section 168 Deduction	Without 168	With 168
Total cost (equipment and install)	\$1,000,000	\$1,000,000
First year deduction*	\$25,641	\$1,000,000
Corporate tax rate*	21%	21%
Cash Savings (deduction* tax rate)	\$5,384	\$210,000
Net equipment cost	\$994,616	\$790,000

\*Example is for informational purposes only and is not intended to be tax or legal advice. Prior to installing new HVAC equipment, business owners should consult a tax professional to ensure eligibility for the Section 168 deduction.

Learn more about 26 U.S. Code § 168, [here](#). For more information on the Federal Government's response to the COVID-19 pandemic, visit the website of the [U.S. Department of the Treasury](#).