2020 “CARES ACT” TAX BENEFITS NOW AVAILABLE

Upgrade or replace older systems with tax saving opportunities!

Overview
The 2020 Coronavirus Aid, Relief, and Economic Security or “CARES Act” contains a number of tax savings for businesses. This includes a change to the tax code to ensure “qualified improvement property” (QIP) investments can benefit from an accelerated tax deduction for the full cost of such property. Under Section 168 of the tax code, the cost of all equipment and components of the “heating, ventilating, and air conditioning system” (among other items which are considered QIP) can be fully deducted for tax purposes in the first year it’s 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.

Section 168 Benefits:
• 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.

How it works* (example)
• Business owner installs a new heating and air-conditioning system with equipment and installation cost of $4,000,000.
• Under previous depreciation rules, the business owner would claim approximately $102,564 in depreciation deductions annually over 39 years for a year one net equipment cost of $3,978,462.
• Under the new law, the owner now may deduct the full equipment and installation cost of $4,000,000 from their business income the year of purchase and installation.
• At a business tax rate of 21%, this saves the business owner $840,000 in taxes, effectively lowering the cost of the equipment.

Example Calculation

<table>
<thead>
<tr>
<th>Impact of Section 168 Deduction</th>
<th>Without 168</th>
<th>With 168</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost (equipment and install)</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>First year deduction</td>
<td>$102,564</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Corporate tax rate*</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Cash savings (deduction* tax rate)</td>
<td>$21,538</td>
<td>$840,000</td>
</tr>
<tr>
<td>Net equipment cost</td>
<td>$3,978,462</td>
<td>$3,160,000</td>
</tr>
</tbody>
</table>

*Consult your tax professional for specific business advice.

Disclaimer: Business tax deductions are complicated. The information included here is intended for general information only and is not intended to be tax or legal advice. Please consult your tax professional before making business decisions that could affect your tax situation. Each business situation is different and tax regulations change frequently. ©2020 Carrier

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