



To our Dear Valued Customers,

NEW HVAC EXPENSING LAWS: WILL YOU TAKE ADVANTAGE?

Buying commercial HVAC products just got easier, thanks to the recently passed Tax Cuts and Jobs Act. Included in this 2017 law is a provision allowing certain HVAC products to be immediately expensed. Under Section 179 Small Business Expensing, all components of a "heating, ventilation, and air-conditioning" system can be expensed in the first year instead of being depreciated over 39 years.

For those of you who appreciate the exact language:

Title 26 U.S. Code Section 179 states that "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... Qualified Real Property applicable includes heating, ventilation, and air-conditioning property."

EXAMPLE:

A restaurant owner installs a new heating and air-conditioning rooftop unit. The equipment and labor for installation cost \$14,000. Under old depreciation rules, the restaurateur could only claim approximately \$350 in depreciation expense annually over 39 years. Under the new law, she can deduct the full cost of the HVAC equipment (including installation costs) of \$14,000 from her business income the year of the purchase and installation. At the top marginal tax rate that would be applied to this purchase, this will save her \$5,180 in taxes.

If you have any questions or would like more information please call our office!

Sincerely,

Terry Sorrells

President

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