

## **Hidden Gem: Take Advantage of the Major Tax Break for Commercial HVAC Equipment**

Many are not aware of the major tax reform bill passed by Congress known as the Tax Cuts and Jobs Act (TCJA). Energy efficiency improvements and upgrades to HVAC equipment qualifies for favorable tax deduction under Section 179.

### **What is Section 179?**

26 U.S. Code & Section 179 states: “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.”

The Section 179 Deduction is a compelling financial incentive for commercial clients to replace old, devaluing equipment or upgrade to new, high efficiency systems.

### **How does this benefit owners who invested and have commercial HVAC equipment?**

Prior to the Section 179 Deduction, all commercial HVAC equipment was considered a capital improvement to buildings and wasn't considered for any tax breaks. Historically, nonresidential properties such as HVAC system capital investments were depreciated over a 39-year period and businesses have to “write-off” the undepreciated value. The disincentive to make replacements has prevented businesses from financing major



**Major Tax Break for Commercial HVAC Equipment under Section 179 Deduction**

retrofits and exploring considerable energy efficient saving options. This expansion of Section 179 provides business owners and contractors an exceptional opportunity for upfront savings and immediate expensing for their equipment.

The new provision of the 2018 Section 179 Deduction includes qualifying, non-residential, new or used purchases of HVAC equipment or replacement components up to \$2.5 million. The equipment cost can be deducted immediately as a business expense with a limit of \$1 million in tax savings, effective Jan 1, 2018. This is a major tax break for building owners to take advantage of while it exists.

Don't miss your chance to save! Contact [Airxchange](mailto:contact_us@airxchange.com) today to discuss options and start saving today!

# HVAC NOW QUALIFIES

## SECTION 179 SMALL BUSINESS EXPENSING

The recently passed Tax Cuts and Jobs Act included a provision to allow HVAC products to be immediately expensed. Under Section 179 (26 U.S. Code § 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.



### BEFORE

39-year depreciation  
schedule



### AFTER

Fully expense HVAC systems  
immediately

### FOR EXAMPLE

A typical commercial heating and air-conditioning unit will cost approximately **\$14,000\***

#### BEFORE



**\$350**  
depreciation expense

#### AFTER



**\$14,000**  
immediately expensed  
reducing the tax bill by over  
**\$5,000**

\*The actual cost of HVAC equipment will depend on the specifics of the building and the contractor

Source: <https://higherlogicdownload.s3.amazonaws.com/ACCA/UploadedImages/05684199-1e04-4a1f-84e6-f8d10c9a5173/Section179.pdf>

For more information on Section 179: [https://www.section179.org/section\\_179\\_deduction/](https://www.section179.org/section_179_deduction/)