



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 Act 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 fire protection and alarm systems (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 fire protection and alarm systems 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.
- Enhanced deductions for purchases reduces the after-tax costs to U.S. companies.
- Retroactive for costs incurred back to January 1, 2018.

Impact of Section 168 Deduction	Without Sec. 168	With Sec. 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 x tax rate)	\$ 5,384	\$ 210,000
Net equipment cost	\$ 994,616	\$ 790,000

Example calculation.

How it works* (example)

A business owner installs new fire and security products with equipment and installation cost of \$1,000,000.

Under 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.

*Consult your tax professional for specific business advice.

To learn more about the "CARES Act," visit home.treasury.gov/fedresponse.

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