



## HVAC Retrofits placed into service in 2019 can be written off for tax purposes at 100%

*When considering an HVAC equipment replacement in 2019, a change to the federal income tax code can provide a substantial benefit.*



The Tax Cuts and Jobs Act of December 22, 2017 amended Section 179 to now include HVAC retrofits as a qualifying property improvement. Subject to certain limitations, corporations (taxed separately as C Corps) can now expense 100% of an HVAC equipment replacement for existing buildings in 2019.

This can dramatically change the after-tax benefit of a HVAC change-out. Below is a simple example of a \$300,000 chiller replacement project. Note how the after-tax simple payback improves from 5 to 4 years.


**How the HVAC tax law improves payback**

At today's corporate tax rate of 21%, a \$300,000 chiller replacement has a real after-tax cost of \$237,000. Let's see how this tax benefit greatly accelerates payback:

Without Tax Benefit	With Tax Benefit
Project Cost = \$300,000	Project Cost = \$237,000
Annual savings: \$60,000	Annual savings: \$60,000
Payback: (\$300,000/\$60,000) 5 Years	Payback: (\$237,000/\$60,000) 4 Years

A 5-year payback project just became a 4-year payback project!

Bottom Line: The effect of the HVAC tax law should be considered when assessing all HVAC projects.



The changes to Section 179 also apply to rooftops and systems related to fire protection, alarms and security. See this link to learn more:

<https://www.irs.gov/newsroom/new-rules-and-limitations-for-depreciation-and-expensing-under-the-tax-cuts-and-jobs-act>

For flow through entities, such as some LLC's or partnerships, see the link below to learn how Section 199a can benefit owners:

<https://www.irs.gov/newsroom/tax-cuts-and-jobs-act-provision-11011-section-199a-qualified-business-income-deduction-faq>

*EnFlux Building Solutions does not provide tax advice. Please check with your tax counsel regarding these items.*

Questions? Contact us at [info@enfluxbuildingsolutions.com](mailto:info@enfluxbuildingsolutions.com) or call 713.714.0575