

# 2023 Tax Code

## Section 179 – Accelerated Expensing

The Tax Cut and Jobs Act, as passed in 2018, included a provision to allow for HVAC products to be immediately expensed.

Under Section 179, all components of a “heating, ventilation and air-conditioning” system can be expensed in first year versus over 39 years.

For commercial buildings, the cost of HVAC equipment placed into service in 2022 may be deducted as a business expense.

### Section 179 Benefits

- Allows deduction of full amount of equipment up to \$1,160,000.00/yr
- Available for leased or purchased equipment, including installation labor
- Combine with utility rebates to offset equipment cost

### How it works\*

- Business owner installs a new heating and air-conditioning rooftop units with equipment & installation cost of \$35,000
- Under old depreciation rules, the owner claims approximately \$897 in depreciation expense annually over 39 years for net equipment cost of \$34,812
- Under the new law, the owner may deduct the full cost of the HVAC equipment of \$35,000 from their business income the year of the purchase and installation
- At business tax rate of 21%, this saves business owner \$7,350 in taxes, effectively lowering cost of equipment

#### Example Calculation

Impact of Section 179 Deduction	Without 179	With 179
Total cost (equipment and install)	\$ 35,000	\$ 35,000
First year deduction	\$ 897	\$ 35,000
Corporate tax rate*	21%	21%
Cash savings (deduction* tax rate)	\$ 188	\$ 7,350
Net equipment cost	\$ 34,812	\$ 27,650

\*Consult your tax professional for specific business advice.

### Sales Strategies:

- Close more work by demonstrating tax and cost advantages
- Potentially “sell up” to higher efficiency products
- Take advantage of utility rebates when selling up
- Show annual operating cost reduction with high efficiency product for additional savings

**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.



ROOFTOP ENERGY SAVINGS CALCULATOR

**Rooftop Energy Savings Calculator is fast, easy and free. Utilize it to show RTU annual savings.**

#### Features:

- Rapidly determines energy cost savings and payback for RTU applications
- New Construction and Replacement applications
- Professional Reports combining tabular and graphical data
- Multiple building profiles to select from, including offices, schools, restaurants, and retail facilities, based on ASHRAE 90.1 prescriptive requirements and ASHRAE 62.1
- Pre-loaded with performance data for ICP equipment and other popular industry models
- In depth hour-by-hour analysis with results within seconds

Rooftop Energy Savings Calculator is available on [www.hvacpartners.com](http://www.hvacpartners.com).  
Products > Software > Electronic Catalog (customer version)

2023