



FEDERAL TAX CUT AND JOBS ACT FACT SHEET

New Tax Law Provides Full Write-Offs on New HVAC System Installations

Under the recently enacted Federal Tax Cut and Jobs Act, business owners can now deduct up to \$1 million of the total cost of any HVAC purchase in the first year the system is put into service, up to a total equipment purchase price of \$2.5 million.

For many building owners, these higher deduction rates mean the entire cost of an HVAC system can be written off in the first year. The amended Section 179 depreciation rules of the new law offer building owners a significant incentive to improve facility HVAC systems. Before this depreciation rule update, installation of a new HVAC system was classified as a capital building improvement with long depreciation periods, often as many as 39 years. With the new deduction in place, HVAC installations can now be fully depreciated in the first year, to maximize your company's tax benefits.

New Depreciation Rules Maximize Tax Benefits of HVAC Purchases For Your Company

Because depreciation is considered an expense, which reduces a company's taxable profits, new HVAC purchases can deliver valuable tax benefits.

- For example, let's say a company spends \$200,000 to install a new HVAC system. Before this new tax cut, the company could have only claimed \$5,128 in first year depreciation and just \$1,795 in tax savings (assuming a 39-year depreciation and a 35% tax rate)
- **Now, a building owner can fully depreciate that \$200,000 purchase in the first year for \$70,000 in tax savings (200,000 X 35%).** This \$70,000 tax savings reduces the original equipment cost from \$200,000 to \$130,000.

Cost of System	\$200,000
Previous Year 1 Depreciation	\$5,128
Previous Tax Saving	\$1,795
New Year 1 Depreciation	\$70,000
New Tax Savings	\$70,000
<i>Assumes 39-year depreciation and 35% tax rate</i>	

There's no guarantee that these favorable tax conditions will remain the same beyond 2018. For business owners looking to replace their HVAC systems, now is the time to act and take advantage of these tax savings.

GEM Energy has the experience to install and maintain your company's HVAC systems. Our HVAC service team will evaluate your current system's age and operating requirements to implement a long-term HVAC plan that minimizes your HVAC service costs. GEM Energy also offers a variety of custom preventive HVAC maintenance plans that keep costs low and predictable guaranteeing superior performance for the lifetime of your system.

Financing Solutions For HVAC Equipment

If you're looking to replace an aging HVAC system, GEM Energy can manage the installation process and provide flexible financing options. GEM Energy manages the paperwork for PACE (Property Assessed Clean Energy) financing enabling low-cost, long-term funding for your building's energy efficiency projects including replacement of aging HVAC and mechanical equipment.



For more information, or to schedule an appointment for a no-obligation assessment of your building HVAC system, contact Jeremy Damstra, Director of Service Sales:

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