

TAX REFORM HELPS PAY FOR COMMERCIAL HVAC EQUIPMENT

**BUSINESS OWNERS CAN NOW
SAVE A BUNDLE ON EQUIPMENT
REPLACEMENT, BUT HOW LONG
WILL IT LAST?**



ARISTA

Tax code changes: what's new and how it affects you

New tax changes took effect last year, including changes to Section 179 of the IRS tax code that specifies how businesses can deduct equipment purchases. Under the new Section 179 tax rules, **businesses can deduct the FULL PURCHASE PRICE of qualifying equipment** purchased or financed this year.

Luckily for those in need of new or replacement heating and air conditioning, “qualifying equipment” includes HVAC systems.

As you may know, in the past businesses could deduct these expenses only in small amounts by depreciating the cost over a period of years (sometimes decades). Unfortunately, those small savings weren't much help in paying for a large expense like a new HVAC system.

Under the new rule, things have changed dramatically. When you purchase or finance new HVAC equipment this year, you'll get a substantial tax deduction... enough to help offset the expense. That takes a lot of the stress out of making a large investment in equipment!

Section 179: how it works

When you buy or finance HVAC equipment, you can write off the ENTIRE COST on your tax return. *That includes the cost of installation.*

If you have a larger business, there are a limits you should know about:

- Under section 179, there is a limit of \$1 million in deductions on total equipment purchases up to \$2.5 million.
- There's also a Bonus Depreciation clause that lets you deduct 100% of additional expenses up to the \$2.5 million limit.
- And, you can still depreciate additional equipment expenses up to \$3.5 million over a period of years.

Section 179

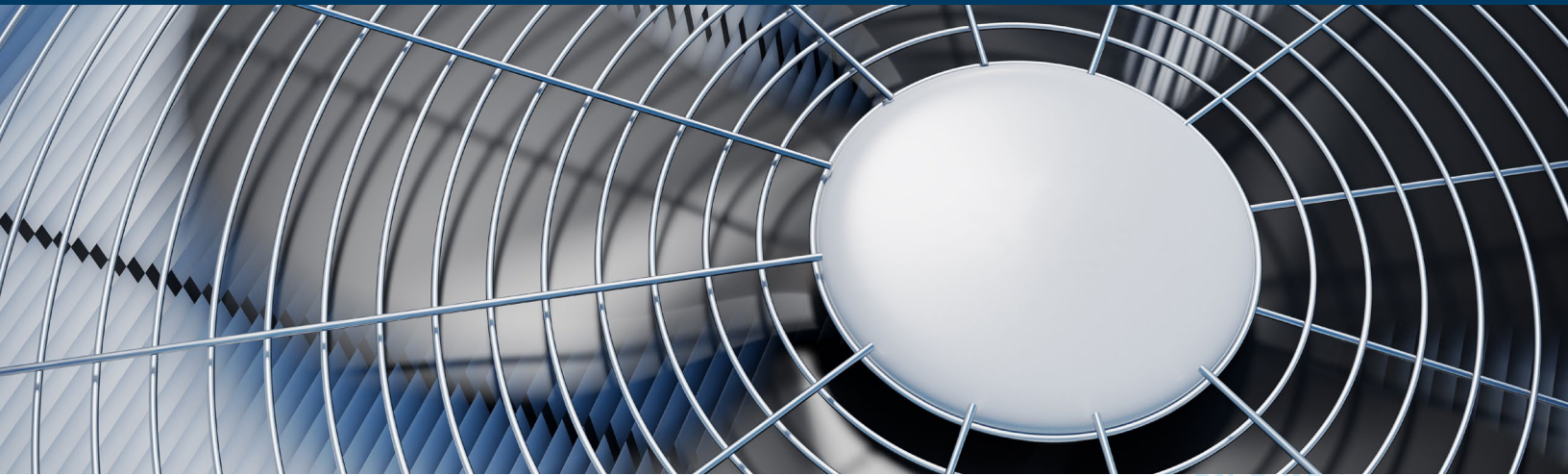
Example Calculation

Equipment Purchases:	\$1,150,000
First Year Write-off: (\$1,000,000 = maximum)	\$1,000,000
100% Bonus First Year Depreciation: (updated to 100% via 'Tax Cuts and Jobs Act')	\$150,000
Normal First Year Depreciation: (20% in each of 5yrs on remaining amount)	\$ 0
Total First Year Deduction: (\$1,000,000 + \$150,000 + 0)	\$1,150,000
Cash Savings: (\$1,150,000 x 35% tax rate)	\$402,250
Equipment Cost After Tax: (assuming a 35% tax bracket)	\$747,500



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There's a helpful website that explains the details and provides a calculator to help you figure out your potential savings: <http://www.section179.org/>.

Also, it's a good idea to check with your tax advisor for details about the new deductions and to learn about bonus depreciation for larger purchases.

Who can take advantage of section 179 tax breaks?

Assuming you spend less than \$3.5 million on equipment, any American business can take advantage of the Section 179 tax break on equipment purchases. To get this year's benefits, the new equipment must be put into service by the end of the year.

Why smart business owners are replacing HVAC equipment now

Do you have commercial heating and/or air conditioning equipment that's failing or nearing the end of its life? Replacing it now, instead of waiting for it to break down, will save you a lot of money.

Notice we didn't say it *might* save you money. It definitely *will* save you money.

We're not just talking about a few hundred dollars. Here are a couple of examples that show how much you can save. And what a big difference that tax break can make for your business.

Recently Arista replaced an air conditioning system for a NYC retail store. On the first hot day of the year, the owner had turned on the AC unit and quickly realized it wasn't working and his store was heating up by the minute. His customers were walking out. The owner was pretty upset when he learned the compressor had failed and it was not cost effective to replace it. He needed a new air conditioner. Even though it was an old unit, the \$14,000 cost was not something he had budgeted for! Fortunately, we were able to show him how the new tax law would help him. It turns out that he'll get a \$5,000 tax deduction this year based on his HVAC equipment purchase and installation. That certainly helped to soften the blow of a big, unexpected expense.

Now, just as that tax break helps a small business owner, imagine how much more a larger business can benefit. Especially when it's a planned expense and not a surprise. We have another large client that has multiple locations and millions of dollars in HVAC equipment. A significant portion of that equipment is aging and likely to fail within a couple of years. With a planned replacement of equipment totalling \$1.2 million by the end of the year, the company stands to save more than \$400,000 in taxes!

If you have aging HVAC systems, you may enjoy similar savings. But, you must replace your HVAC equipment by the end of the year. Here's why.

Tax savings might go away next year.

Section 179 regulations change every year. There's every chance that these tax deductions will be taken away, or at least reduced, in years to come. The Section 179 website shows how the deductions have changed over the past 10 years, and there's no doubt that now is the best time for a business to purchase HVAC equipment. We may never see tax benefits this good again.

Old air conditioners will get increasingly expensive to fix.

Is your air conditioning system more than 10 years old? If so, it probably uses a refrigerant called R22 (also known as Freon). That refrigerant is being phased out by the EPA because it has caused considerable damage to the Earth's ozone layer. In January 2020, R22 will be completely banned in the US.

What does that mean for you? If your air conditioner uses R22, it will get increasingly expensive to fix when it breaks. That's because, as the supply of R22 dwindles, the cost is rising dramatically.

So, save yourself what promises to be an exorbitant expense (repairing your old R22 air conditioner). Instead, replace it now and save a bundle. Once R22 is banned, you'll be faced with having to replace your old unit or potentially incur a costly expense retrofitting the equipment with alternative refrigerants (that may or may not be compatible with your system). Why not replace the equipment it now and get the tax break?

The R22 ban: another reason to replace now.

In January 2020, R22 will be phased out in the US. Most air conditioners more than 10 years old use R22. Think about that for a minute. Suddenly anyone with a broken air conditioner (usually the ones over 10 years old!) will be in a position to either incur a costly retrofit of their system or replace it entirely. Consider what the demand for installing new air conditioners will be like in 2020!



Even now, the process for buying and installing a new AC unit can take weeks. Imagine how long it might take when you're waiting in line with everybody else who is replacing an R22 air conditioner? How will that impact your business? Especially if your bottom line depends on customer and employee comfort in your space. Going weeks without air conditioning could make a big dent in your profits and reputation. Don't forget, if your customers can't shop or dine with you, they will be discovering your competitors who have working air conditioning. And if your employees are uncomfortable due to rising space temperatures their productivity will decline.

That's why we recommend replacing aging air conditioners this year. You'll save both time and money by getting ahead of the rush. And you might even save your business.

Reduce your tax bill and save on an HVAC replacement

There has never been a better time to replace your old air conditioner. With the phase out of R22 and the chance to get a big tax break, it's really a no-brainer.

Our advice? Tax rules will probably change next year. Take advantage of the opportunity to save big while you can!

Please consult with your tax professional as to how section 179 pertains to your individual situation. Arista makes no representations as to any specific dollar or percentage savings associated with this tax provision.

GET AN HVAC REPLACEMENT ESTIMATE



Request Your HVAC Replacement Estimate



Don't miss out on the chance for **BIG SAVINGS** with HVAC tax breaks! To get the tax break, your new equipment must be installed by the end of the year.

Tax codes may change again for next year.
So don't wait!

[Click here to get started with a no-obligation estimate now!](#)

About Arista Air Conditioning

Whether you're responsible for the installation of a new HVAC system or repairing and maintaining legacy equipment, Arista has the experience to service and maintain any system throughout its lifecycle. Across the tri-state area, we're recognized as one of the region's most respected and referred HVAC experts. When you purchase a preventive maintenance service agreement from Arista, you're backed by an industry leader with that has earned its reputation through decades of trustworthy business conduct and quality service.

Peace of mind at a fair price

Your account is managed by a senior Arista technician and backed by an expert staff of over 180 highly trained professionals. Arista boasts a comprehensive program of continuous staff training and professional development on state-of-the-art practices and processes.

Arista clients also enjoy these benefits:

- Quick-to-respond, accessible workforce and a fleet of 100+ vehicles
- 24/7 emergency standby service
- 30,000 sq. ft. corporate warehouse facility stocked with over 55,000 parts
- Industry recognition as the only NY state company to earn both the prestigious MSCA STAR and GreenStar designations
- LEED Accredited Professionals to assist in making smarter HVAC choices

Questions? Call Arista today.

We hope you've found this guide to be a useful reference.

We invite you to call us for a quote on your equipment purchase or service needs. We think you'll agree that hearing what we have to say will be one of the best decisions you make in researching your HVAC needs. Reach an Arista HVAC specialist today at **718-937-1401** or email **info@aristair.com**.

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