



TAX CREDITS FOR YOUR BUSINESS

CARES Act Tax Credits for Fire Alarm and Life Safety Retrofits or Upgrades

Building owners can now fully expense qualifying fire alarm improvement costs in year one.

The 2020 Coronavirus Aid, Relief and Economic Security (CARES) Act provides economic assistance to American workers, families and small businesses, including tax savings for businesses.

The CARES Act allows commercial building owners to benefit from an accelerated tax deduction for the full cost of such property due to tax code changes related to “qualified improvement property” (QIP) investments. Under Section 168 of the CARES Act tax code, the cost of improvements to existing fire alarm and life safety systems can now be fully deducted for tax purposes in the first year versus over a 39-year period. The benefit for building owners is the qualified investment may be fully deducted as a business expense in the first year, immediately reducing their costs.

QUICK FACTS ON SECTION 168 QUALIFIED IMPROVEMENT PROPERTY (QIP)

- Applies to existing commercial or non-residential buildings (new construction does not apply)
- Cost of equipment and labor are considered part of the full taxable deduction
- No limits or caps on amount of product purchased for QIP
- Can retroactive prior QIP costs incurred back to January 1, 2018

EXAMPLE OF HOW THE CARES ACT SECTION 168 WORKS

A commercial building owner has a Honeywell Fire authorized fire and life safety company install a new fire alarm system with equipment and installation cost of \$100,000. Under previous depreciation rules, the business owner would claim approximately \$2,564 in depreciation deductions every year over 39 years, for a year one net equipment cost of \$99,051.

Under the CARES Act, the building owner may deduct the full equipment and installation cost of \$100,000 for a year one net equipment cost of \$63,000.

	BEFORE CARES ACT	USING CARES ACT
Equipment/Labor Costs for Fire and Life Safety System	\$100,000	\$100,000
Year 1 Annual Deduction	\$2,564	\$100,000
Owner Corporate Tax Rate*	37%	37%
Savings (Year 1 deduction x tax rate)	\$949	\$37,000
Net Equipment Costs at Year 1	\$99,051	\$63,000

***Note:** 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.

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