

The 2020 CARES Act: Tax Benefits for Electrical Upgrades



The U.S. Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes several significant business tax changes that may benefit non-residential building owners who want to invest in their properties with upgrades and replacements. Along with utility rebates, the CARES Act tax changes may create a savings that offsets the cost of those improvements.

Tax Law Changes

Under the CARES Act, IRS Tax Code Section 168, the cost of improvements, such as upgrades and replacements to electrical equipment and components, made to the interior of a Qualified Improvement Property may be deducted at 100% for tax purposes in the first year.

The CARES Act retroactively corrects a previous error in the Tax Cuts and Jobs Act that resulted in a lengthy depreciation.



Benefits of CARES Act Application

- ◆ Increased ROI for new capital expenditures
- ◆ Depreciation bonus of 100% for the equipment and installation costs for this year
- ◆ Reduced payback period for capital investments
- ◆ Deeper savings when combined with local energy incentive programs

Key Points to CARES Act

Qualified Improvement Property: Nonstructural improvements made to the interior of a nonresidential building.

Tax Deduction: Allows for the full amount of equipment and installation labor costs for improvements to nonresidential/commercial, single-tenant building. This does not include new construction or expansions.

Utility Rebates: CARES Act deductions may be combined with utility rebates.

Retroactivity: The CARES Act is retroactive to include QIP costs incurred back to January 1, 2018.

Potential Enhancements For Your Business

Improve the safety, security and efficiency of your building with improvements such as:

- ◆ Electrical wiring and components for building and building services such as heating, ventilation, etc.
- ◆ Security equipment such as door access, cameras, monitors, security lighting, alarm systems, public address systems
- ◆ Lighting and controls
- ◆ Energy management and building automation
- ◆ Fire protection such as sensors, controls, alarm panels, smoke detection
- ◆ Interior electrical signage such as exit signs
- ◆ Data, Structured Cabling



Disclaimer: Lemberg is not a tax advisor. Please consult your tax experts and advisors when applying tax laws as they relate to corporate or partnership structure and business operations. Each customer must assess its actual impact.

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