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Tax Deductions for Qualified Improvement Property (QIP) 2020 CARES Act

Coronavirus Aid, Relief, and Economic Security Act

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Highlights to Section 168

Qualified interior improvements made by the taxpayer for existing non-residential buildings may be eligible for a tax deduction of the full amount of equipment and labor costs in a single year, without limitation on the size of the project.

QIP can include:

- HVAC interior ductwork
- Building management systems
- Sensors, valves, actuators, and other HVAC devices
- Interior work for most other building systems including plumbing, electrical, fire protection and alarm, gas distribution, and security systems
- Modifications to tenant spaces, as long as the interior walls are not load-bearing



The CARES Act provides a technical correction for qualified improvement property (QIP), enabling taxpayers to claim 100% bonus depreciation on eligible QIP.

Invest in qualified facilities improvements to optimize building performance and tax savings.

How it works: Example for energy savings project

- \$1M = annual and installation
- \$200,000 = annual energy savings
- \$200,000 = annual utility incentives



Escalation rate of 3%
Estimated project life of 20 years

- 3.89 years = simple payback (without using depreciation)
- \$1.53M = Net Present Value

- 3.71 years = simple payback
- \$1.63M = Net Present Value



Using straight-line depreciation over 20 years

- 2.9 years = simple payback
- \$1.72M = Net Present Value



With CARES Act incentives

Siemens HVAC and Building Automation solutions

Building Automation for all building sizes and applications

Our comprehensive building automation and control systems portfolio provides solutions tailored to each project's individual needs. Openness and flexibility are the bottom line for all our systems. Combining electrical and HVAC systems in a comprehensive, multi-discipline approach and designing for reliability is how we make what matters a reality.

HVAC Products designed for best possible system performance

All of our HVAC products are built for long-lasting performance for the most rigorous building demands. Experience reliable equipment control for exceptional energy savings – from installation to years in operation.

DISCLAIMER – Siemens will not recommend any financing action to Customer as Siemens is not a registered municipal advisor and is not subject to any of the fiduciary duties imposed on municipal advisors. Siemens is not a tax advisor to nor fiduciary of Customer and Customer should consult its own legal, financial or other tax advisors as appropriate prior to taking any financing related action.

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