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## CORPORATE OFFICES

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### **CARES Act Provides Incentive for Business Upgrades**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is an economic relief package that was signed into law on March 27, 2020. The CARES Act provides for a tax benefit where businesses can deduct the full cost of certain equipment (often referred to as QIP "Qualified Improvement Property") on their taxes. That not only includes equipment they may have considered buying and delayed because of Covid-19, but also equipment they put into service since 1/1/2018.

QIP refers to qualifying improvements made by a taxpayer to an interior portion of an existing building that is non-residential real property. This includes, but is not limited to such buildings as:

- Healthcare and Medical Facilities
- Industrial and Manufacturing Plants
- Office and Light Commercial Buildings
- Material Handling Facilities

Under the CARES Act...

- Qualifying improvements made to the interior of these facilities would qualify for a full tax deduction. It is important to emphasize that the CARES Act does *not* cover new construction, structural upgrades, or external improvements.
- QIP is now classified as 15-year property and eligible for 100% bonus depreciation through 2022.
- Benefits are retroactive to 2018 for calendar-year taxpayers. Taxpayers who placed QIP in service in 2018 or 2019 can adjust their returns.
- If these changes create a net operating loss for those years, businesses may be due a refund that could improve cash flow and allow for more improvements.

Just as important, facilities that may be delaying improvements because of Covid-19 can benefit from the instantaneous 21% corporate tax deduction on new equipment. Combined with potential utility rebates for energy improvements, and the annual energy savings themselves, many facilities may find that it is to their advantage to make improvements and not delay them.

**Please reach out to your local Womack Electric Supply account representative to discuss facility improvements for your business. Now may be an opportune time to begin your project.**

*Womack Electric Supply does not provide tax advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on, for tax advice. Consult with your tax advisor to ensure that various criteria are met in order to claim this tax benefit.*