



June 26, 2020

Carolina Products, Inc.  
Attn: William S. Blackmon, President  
1132 Pro Am Drive  
Charlotte, NC 28211

Dear Bill:

The control panels that you are selling and installing that include a microprocessor may be considered to be “qualified technological equipment” as defined in Internal Revenue Code Section 168(i)(2). If they are qualified given the specific tax situation of your customer and how they are using the item, then a favorable accelerated depreciable life of five years may be available.

In addition, the control panels that do not include a microprocessor may also be eligible for an accelerated depreciable life of five years. Tax Court rulings (*Scott Paper Co. v. Commissioner* 74 T.C. 137 (1980), *Hospital Corp. of America & Subs. v. Commissioner*, 109 T.C. 21 (1997)) have determined that part of the cost of primary and secondary electrical systems that carry the electrical load to a company’s equipment is Section 1245 personal property and not structural components. Based on the specific tax situation of your customer and how they are using the item, this favorable ruling may be applicable.

The information provided in this communication is of a general nature and should not be considered professional advice. You should not act upon the information provided without obtaining specific professional advice. The information above is subject to change as a result of rapidly evolving legislative developments and government guidance. Since each taxpayer’s situation is considerably different, we would recommend that they consult with their respective tax advisor regarding either of these positions and the applicability to their situation.

If you should have any further questions, please let me know.

Very truly yours,

A handwritten signature in black ink that reads 'Richard J. Battle'.

Richard J. Battle, CPA

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments that do not expressly state otherwise) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or tax-related matter[s].

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