

The Depreciation Decoder

Year	Dates	Bonus	Qualified Improvement Property			Non-residential Real Property
			Leasehold	Restaurant	Retail	
1987-1993	1/1/87-5/12/1993	N/A				31.5yr
1993-2001	5/13/1993-9/10/2001	N/A	39yr yes Bonus	N/A	N/A	39yr
2001	9/11 – 12/31	30%				39yr
2002	1/1- 12/31	30%	39yr yes Bonus	N/A	N/A	39yr
2003	1/1- 5/5 5/6- 12/31	30% 50%	39yr yes Bonus	N/A	N/A	39yr
2004	1/1- 10/22	50%	39yr yes Bonus	N/A		39yr
	10/23- 12/31	50%	15yr SL yes Bonus	15yr SL yes Bonus	N/A	
2005-2007	1/1- 12/31	N/A	15yr SL no Bonus	15yr SL no Bonus	N/A	39yr
2008	1/1- 12/31	50%	15yr SL, yes Bonus	15yr SL yes Bonus	N/A	39yr
2009	1/1- 12/31	50%	15yr SL, yes Bonus	15yr SL no Bonus	15yr SL no Bonus	39yr
2010	1/1 – 9/8 9/9 – 12/31	50% 100%*	15yr SL, yes Bonus, Can be included in § 179	15yr SL no Bonus, Can be included in § 179	15yr SL, no Bonus, Can be included in § 179	39yr
2011	1/1 – 12/31	100%*	15yr SL, yes Bonus, Can be included in § 179	15yr SL, no Bonus, Can be included in § 179	15yr SL, no Bonus, Can be included in § 179	39yr
2012	1/1- 12/31	50%	Can be included in § 179 deduction, yes Bonus, 15yr SL	Can be included in § 179 deduction, no Bonus, 15yr SL	Can be included in § 179 deduction, no Bonus, 15yr SL	39yr
2013 2014 2015	1/1-12/31	50%	Can be included in § 179 deduction, 15yr SL, yes Bonus	Can be included in § 179 deduction, no Bonus, 15yr SL	Can be included in § 179 deduction, no Bonus, 15yr SL	39yr
2016	1/1-12/31	50%	Can be included in § 179 deduction, 15yr SL, yes Bonus, Can be QIP	Can be included in § 179 deduction, 15yr SL no Bonus, Can be QIP	Can be included in § 179 deduction, 15yr no Bonus, Can be QIP	39yr, Can be QIP
2017	1/1-9/27	50%	Can be included in § 179 deduction, yes Bonus, 15yr SL, Can be QIP	Can be included in § 179 deduction, no Bonus, 15yr SL, Can be QIP	Can be included in § 179, no Bonus, 15yr SL, Can be QIP	39yr, Can be QIP
	9/28-12/31	100%**	Can be included in § 179 deduction, yes Bonus, 15yr SL	Can be included in § 179 deduction, yes Bonus, 15yr SL, can be QIP	Can be included in § 179, yes Bonus, 15yr SL, can be QIP	
2018-2022	1/1 – 12/31	100%	Replaced by Qualified Improvement Property (QIP) 15-year SL, yes bonus, can be included in § 179 deduction			39yr
2023	1/1-12/31	80%	Replaced by Qualified Improvement Property (QIP) 15-year SL, yes bonus, can be included in § 179 deduction			39yr
2024-2027	<i>There will be a 20% decrease in bonus annually after 2023 until 2027 when it expires.</i>					

Bonus Depreciation: (A) Qualified property (i) has a recovery period of 20 years or less, (ii) is computer software other than software amortizable under Sec 197 (as defined in section 167(f)(1)(B)) (iii) is water utility property, or (iv) is Qualified Leasehold Improvement property only until 9/27/17. In addition, the original use of the property must begin with the current taxpayer only until 9/27/17. **Generally, written binding contract (WBC) rules apply, and the property must be placed- in-service, by the taxpayer, within the dates specified. Property acquired by the taxpayer after 9/27/17 does not have to meet the original use test, but the property must be new to this taxpayer and meet the other tests. In 2018 QLI, QRI, and Qualified Retail Improvements no longer exist. Section 168(e)(6) is now defined as Qualified Improvement Property (QIP) using the same definition as was in § 168(k)(3). QIP is eligible for bonus after 2017 as it has a life of 15 years. This was created by the CARES Act.

Section 179:

1. Section 179: effective 1/1/2018 this is now a deduction of \$1,000,000 with the phase out starting at \$2,500,000.
2. The deduction of \$250,000 of Qualified Real Property (QLI, QRI, and Qualified Retail Property) is retroactive for 2015. In 2016 the dollar limitation is no longer in place. In 2018 only QIP is available for the deduction as QLI, QRI, and Qualified Retail no longer exist.

Qualified Leasehold Improvement Property (QLI): Section 168(e)(6)(A) Any improvement to an interior portion of a building which is nonresidential real property if (i) such improvement is made under or pursuant to a lease by the lessee (or any sublessee) of such portion, or by the lessor of such portion [note: a lease between related persons shall not be considered a lease if the common ownership is greater than 80%], (ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and (iii) such improvement is placed in service more than 3 years after the date the building was first placed in service. This has been redesignated as QIP for years after 2017, using the definition below.

Qualified Improvement Property (QIP), 15-yr. life: Section 168(k)(3) has been redefined as follows for improvements made after 2015: Qualified Improvement Property. — For purposes of this subsection— This is now § 168(e)(6) after 2017 with a 15-year life and with bonus.

(A) In general.—The term ‘qualified improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

(B) Certain improvements not included.—Such term shall not include any improvement for which the expenditure is attributable to - (i) the enlargement of the building, (ii) any elevator or escalator, or (iii) the internal structural framework of the building.

Qualified Restaurant Property (QRP) 2004 – 2008: Any section 1250 property which is an improvement to a building if (i) such improvement is placed in service more than 3 years after the date such building was first placed in service, and (ii) more than 50 percent of the building’s square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals. **This has been eliminated after 2017.**

Qualified Restaurant Property (QRP): (A) Any section 1250 property which is (i) a building, if such building is placed in service after December 31, 2008, or (ii) an improvement to a building, if more than 50 percent of the building’s square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals. (B) Specifically excluded from Bonus Depreciation. **This has been eliminated after 2017.**

Planning Notes:

- Applies to the entire building including the structure after 2008, a change from previous years where only improvements were eligible. The 3-year rule no longer applies after 2008; therefore improvements to buildings, used and newly constructed facilities may be eligible. Although bonus is not available on QRI it is still available on the tangible personal property and land improvements. In certain situations, restaurant improvements after 2008 may be eligible for QLI vs. QRP and therefore Bonus Depreciation may also be available. **This has been eliminated after 2017.**

Qualified Retail Improvement Property (QRIP): (A) Any improvement to an interior portion of a building which is nonresidential real property if (i) such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and (ii) such improvement is placed in service more than 3 years after the date the building was first placed in service. (B) Improvements Made by Owner – In the case of an improvement made by the owner of such improvement, such improvement shall be qualified retail improvement property only so long as such improvement is held by such owner. (C) Specifically excluded from Bonus Depreciation. **This has been eliminated after 2017.**

Resources: Bedford’s internal tax department is available to discuss these temporary business incentives and their application

References: See IRC §§ 168 (k) and 168(e)