Tax Planning & Practice Guides

¶1002. Bonus depreciation technical correction for qualified improvement property.

Background. The Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) amended **Code Sec. 168** to allow 100% additional first-year depreciation deductions ("100% Bonus Depreciation") for certain qualified property. The TCJA eliminated pre-existing definitions for (1) qualified leasehold improvement property, (2) qualified restaurant property, and (3) qualified retail improvement property. The classification of improvements that used to fit into those three categories are now determined under the definition for the category called qualified improvement property ("QI Property"). A general 15-year recovery period was intended to have been provided for QI Property. However, that specific recovery period failed to be reflected in the statutory text of the TCJA. Thus, under the TCJA, QI Property falls into the 39-year recovery period for nonresidential real property. That makes the QI Property category ineligible for 100% Bonus Depreciation.

New law. The CARES Act provides a technical correction to the TCJA, and specifically designates QI Property as 15-year property for depreciation purposes. (**Code Sec. 168(e)(3)(E)(vii)** , as amended by Act Sec. 2307(a)(1)(A)) This makes QI Property a category eligible for 100% Bonus Depreciation. QI property also is specifically assigned a 20-year class life for the Alternative Depreciation System (ADS). (**Code Sec. 168(g)(3)(B)** , as amended by Act Sec. 2307(a)(3)(B))

Effective date. The amendments made by Act Sec. 2307 are effective for property placed in service after Dec. 31, 2017. (Act Sec. 2307(b))

Client letter. A client letter on this topic is available at **¶ 1204** .