

## 2017 Tax Cuts and Jobs Act - Bonus Depreciation

Dear Client:

The 2017 Tax Cuts and Jobs Act contains important changes to the bonus depreciation rules under the Modified Accelerated Cost Recovery System (MACRS). Nearly all of these changes are taxpayer friendly and none more so than the increase in the bonus depreciation rate from 50 percent to 100 percent, effective for property acquired after September 27, 2017.

This 100 percent rate will phase down after 2022. You may elect the 50 percent rate for property acquired after September 27, 2017, and placed in service in your 2017 tax year, if for planning purposes it is desirable to defer depreciation deductions into future years.

The date that you acquire property for purposes of the 100 percent rate is usually the date that you pay or accrue the cost but special rules apply if you construct property or property is constructed for you.

Another noteworthy change allows you to claim bonus depreciation on most used property.

Please note that interior improvements to nonresidential real property, such as a commercial retail space, no longer qualify for bonus depreciation after 2017 and are depreciated over 39 years. It is possible that Congress will enact a "technical correction" to allow bonus depreciation and a 15-year recovery period. Our office will keep you informed on any developments.

Finally, the following additional developments should be noted:

- The corporate election to forgo bonus depreciation and claim unused alternative minimum tax credits is repealed in conjunction with the repeal of the corporate alternative minimum tax. However, under another provision, corporations are allowed to claim all unused AMT credits in 2018 through 2022.
- Relief from the adverse impact of bonus depreciation on the long-term contract method of accounting is extended.
- Certain taxpayers that use "floor plan financing" with respect to inventory may not claim bonus depreciation.
- Bonus depreciation is now allowed for television, film, and live theatrical productions.

### Contact Us

The TCJA made sweeping changes to tax law, impacting virtually every taxpayer. We are focused on the immediate and long-term impact of the TCJA on your situation. Please call our office for guidance on all of the provisions that directly affect you.

Sincerely,

Hettick Accounting & Tax, LLC