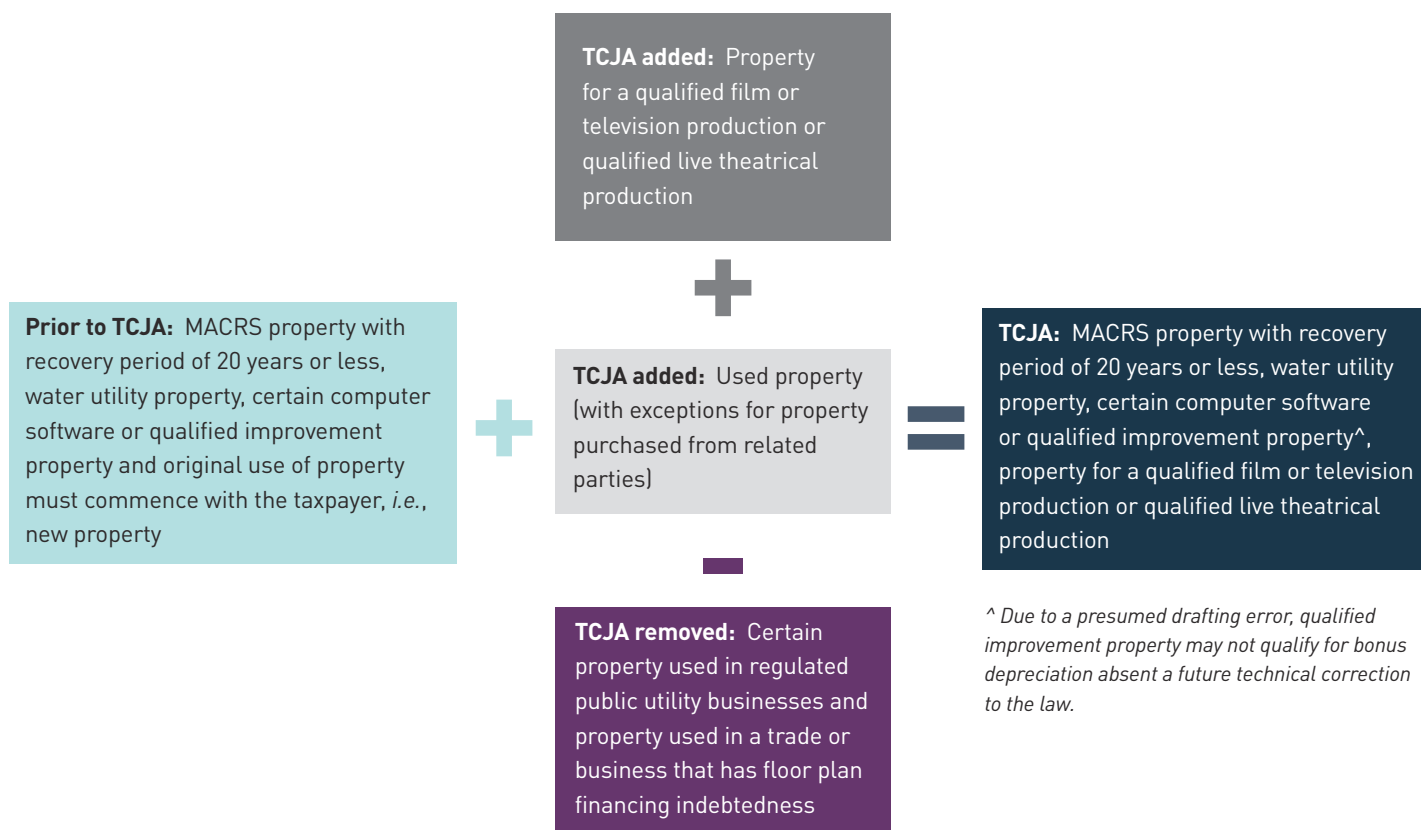


The *Tax Cuts and Jobs Act* – §168(k) Bonus Depreciation

Internal Revenue Code Section 168(k) allows an additional first-year depreciation deduction equal to the applicable percentage of the adjusted basis of qualifying property placed in service during the tax year. The *Tax Cuts and Jobs Act* (TCJA) made significant changes to what property qualifies for bonus depreciation, along with the applicable percentage.

What was qualifying property before the TCJA, and how did the TCJA change it?



Special Considerations

- Taxpayer may elect out of bonus depreciation with respect to any class of property for any taxable year. Election can be revoked only with IRS consent.
- Taxpayer may elect to apply 50 percent bonus instead of 100 percent on qualifying property during first taxable year ending after September 27, 2017.
- Certain real property or farm trades or businesses that elect out of the new interest limitation rules are required to use the alternative depreciation system to depreciate certain property, which isn't eligible for bonus depreciation.

The Tax Cuts and Jobs Act – §168(k) Bonus Depreciation

Prior to the TCJA, the applicable percentage by year was as follows:

Applicable Percentage	Placed in Service
50 percent	After December 31, 2016, and before January 1, 2018
40 percent	After December 31, 2017, and before January 1, 2019
30 percent	After December 31, 2018, and before January 1, 2020
None	After December 31, 2019

** Alternative dates apply to certain property with a longer production period and certain aircraft.*

The TCJA increased the applicable percentage for property acquired and placed in service after September 27, 2017:

Property Acquired AFTER September 27, 2017	
Applicable Percentage	Placed in Service
100 percent	After September 27, 2017, and before January 1, 2023
80 percent	After December 31, 2022, and before January 1, 2024
60 percent	After December 31, 2023, and before January 1, 2025
40 percent	After December 31, 2024, and before January 1, 2026
20 percent	After December 31, 2025, and before January 1, 2027
None	After December 31, 2026

** Alternative dates apply to certain property with a longer production period and certain aircraft.*

For property acquired prior to September 28, 2017, and placed in service after September 27, 2017, the applicable percentage is as follows:

Property Acquired BEFORE September 28, 2017	
Applicable Percentage	Placed in Service
50 percent	After September 27, 2017, and before January 1, 2018
40 percent	After December 31, 2017, and before January 1, 2019
30 percent	After December 31, 2018, and before January 1, 2020
None	After December 31, 2019

** Alternative dates apply to certain property with a longer production period and certain aircraft.*

Heads up! Enhanced bonus depreciation and inclusion of used property to the definition of qualifying property, along with the increase in the §179 limit to \$1 million, may provide for significant deductions in years with substantial asset acquisitions.

Heads up! Many states may not conform to the enhanced bonus depreciation, thereby creating differences between federal and state depreciation.