

# Depreciation Reference Guide

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Dates		§ 1250 Real Property (E)		Bonus Depreciation (E)		Qualified Property (see reverse for additional information) (E)								
Beginning Date	Ending Date	Non-residential Real Property	Residential Rental Property	Bonus	Bonus Election	Leasehold (QLI)			Restaurant (QRP)			Retail (QRIP)		
						Depreciation Life/Method	Types	Bonus Eligible	Depreciation Life/Method	Types	Bonus Eligible	Depreciation Life/Method	Types	Bonus Eligible
09/11/01	05/05/03	39 yr	27.5 yr	30%	(A)	39 yr SL	(B)	Yes	n/a	n/a	n/a	n/a	n/a	n/a
05/06/03	10/22/04	39 yr	27.5 yr	50%	(A)	39 yr SL	(B)	Yes	n/a	n/a	n/a	n/a	n/a	n/a
10/23/04	12/31/04	39 yr	27.5 yr	50%	(A)	15 yr SL	(B)	Yes	15 yr SL	(B)	Yes if also QLI	n/a	n/a	n/a
01/01/05	1/31/07	39 yr	27.5 yr	n/a	n/a	15 yr SL	(B)	No	15 yr SL	(B)	No	n/a	n/a	n/a
01/01/08	12/31/08	39 yr	27.5 yr	50%	(A)	15 yr SL	(B)	Yes	15 yr SL	(B)	Yes if also QLI	n/a	n/a	n/a
01/01/09	09/08/10	39 yr	27.5 yr	50%	(A)	15 yr SL	(B)	Yes	15 yr SL	(C)	Yes if also QLI	15 yr SL	(B)	Yes if also QLI
09/09/10	12/31/11	39 yr	27.5 yr	100%	(A)	15 yr SL	(B)	Yes	15 yr SL	(C)	Yes if also QLI	15 yr SL	(B)	Yes if also QLI
01/01/12	09/27/17	39 yr	27.5 yr	50%	(A)	15 yr SL	(B)	Yes, (D)	15 yr SL	(C)	Yes if also QLI	15 yr SL	(B)	Yes if also QLI
09/28/17	12/31/17	39 yr	27.5 yr	50%/100% (F)	(A)	15 yr SL	(B)	Yes, (D)	15 yr SL	(C)	Yes if also QLI	15 yr SL	(B)	Yes if also QLI
01/01/18	12/31/22	39 yr	27.5 yr	100%	(A)	Above 3 categories were eliminated as of 01/01/18. They have been replaced by Qualified Improvement Property (QIP)(B) in regards to depreciation life/method. A technical correction occurred as part of CARES Act and retroactively made QIP 15 year Bonus eligible effective 01/01/18. Please see reverse side (or page 2) for details on 2016-2017 tax years.								
01/01/23	12/31/23	39 yr	27.5 yr	80%	(A)	QIP(B) opportunities available. Since QIP carries a depreciable life of less than 20 years, it is bonus eligible.								
01/01/24	12/31/24	39 yr	27.5 yr	60%	(A)									
01/01/25	01/19/25	39 yr	27.5 yr	40%	(A)	A planning note for CPAs – remember that if 163(j) is elected to elect out of the interest deduction limitation, QIP becomes ADS 20 year life and is not eligible for bonus depreciation.								
01/20/25	12/31/25	39 yr	27.5 yr	40%/100% (F)	(A)									
01/01/26	12/31/26	39 yr	27.5 yr	20%/100% (F)	(A)	Qualified Production Property (QPP), under IRC §168(n), restores 100% immediate expensing for certain U.S. manufacturing and production assets placed in service after December 31, 2023 – separate from traditional bonus depreciation (§168(k))								
01/01/27	Permanent	39 yr	27.5 yr	0%/100% (F)	(A)									

A: Can elect out by recovery class

B: Interior only

C: Building & Interior

D: Beginning 01/01/16, QIP replaced QLI for assets qualifying for bonus

E: Opportunities exist to correct previous allocations via a Form 3115 (No Amending Required)

F: Written binding contract or substantial construction completed considerations needed

Any tax advice in this communication is not intended or written to be used, and cannot be used, by a client or any other person or entity for the purpose of (i) avoiding penalties that may be imposed on any taxpayer or (ii) promoting, marketing or recommending to another party any matters addressed herein.

## Bonus Depreciation through 09/27/2017

- Must be a new unit of property
- Original use of the Unit of Property must begin with the taxpayer
- Applicable for MACRS property with a recovery period of 20 years or less
- No AMT adjustment (i.e., AMT uses full MACRS recovery percentages)
- Subject to section 1245 (for equipment) and 1250 recapture (for QLI and QIP) upon disposition
- Can elect out by recovery class

## Bonus Depreciation after 09/27/2017

- Definition has been expanded to include purchases of used qualified property
- Various factors apply including:
  - The cost of the used qualified property eligible for bonus depreciation doesn't include any carryover basis of the property, for example in a like-kind exchange or involuntary conversion.
  - The written binding agreement date must be after 09/27/2017
- Excludes property used in a trade or business that has floor-plan financing
- Applicable for MACRS property with a recovery period of 20 years or less
- Can elect out by recovery class

## Qualified Improvement Property (QIP)

- Applicable for interior improvements made to non-residential real property
- Defined similarly to QLI, except for:
  - Related party improvements qualify
  - QIP in service requirement can be potentially as short as 1 day (Rev. Proc. 2017-33)
  - Common areas qualify
- QIP placed in service 01/01/2016 to 12/31/2017:
  - 39-yr straight line (SL) treatment with applicable bonus rate
- QIP placed in service 01/01/2018 and beyond:
  - 15-yr-SL treatment with applicable bonus rate

## Qualified Leasehold Improvement Property (QLI) through 12/31/2017

- Applicable for interior improvements made to non-residential real property
- Made under or pursuant to a lease by the lessee, sub lessee, or lessor
- Improved portion to be occupied exclusively by lessee or sub lessee
- Excludes: related party transactions, elevators and escalators, common area improvements, HVAC, internal and external structural framework of the building and enlargements of the building
- Improvements must be made to a building that is at least 3 years old

## Qualified Restaurant Property (QRP) through 12/31/2017

- More than 50% of the building's square footage must be devoted to the preparation of and seating for the on-premises consumption of prepared meals
- QRP placed in service 10/23/2004 to 01/01/2009:
  - 15-yr Straight Line (SL) treatment available for interior improvements only
  - Taxpayer must be the original user of the improvement property, though not of the building
- QRP placed service after 01/01/2009:
  - 15-yr Straight Line (SL) treatment available for interior improvements AND 1250 property
  - There is no "3 year rule" meaning QRP is also applicable for a newly constructed restaurant

## Qualified Retail Improvement Property (QRIP) through 12/31/2017

- Interior improvements to non-residential real property
- Improved portion must be open to the general public and used in the retail trade or business of selling tangible personal property
- Improvements must be made to a building that is at least 3 years old
- Taxpayer must be the original user of the improvement property, though not of the building
- Excludes: elevators and escalators, common area improvements, HVAC, internal and external structural framework of the building and enlargements of the building

## Qualified Production Property (QPP)

- Portions of commercial or industrial buildings used directly in qualified production (manufacturing, processing, refining).
- Must be built or placed in service in the U.S.; construction must start Jan 19, 2025 – Dec 31, 2028 and be in service before Jan 1, 2031.
- Only the user of the property can claim the deduction; lessors do not qualify based on tenant activity.
- Existing buildings may qualify if not used for production between Jan 1, 2021 and May 12, 2025.
- Property used for offices, admin, lodging, parking, sales, research, software, or engineering is ineligible.
- Must involve substantial transformation of materials into a new product (not simple assembly or packaging).
- Additional IRS guidance expected on documentation and qualifying criteria.

