

# Year End Tax Deductions

## Expiring soon!

While Congress may not act on these deductions in the near future, you should be talking with your clients about them **now**.

### Bonus Depreciation Deduction

The 50% bonus depreciation deduction for personal property and certain qualifying real property is set to expire December 31, 2013.

To qualify, the property acquired must be new property with a recovery period of less than twenty years. The depreciable basis of the property is reduced by the bonus depreciation deduction. Regular depreciation is then calculated on the remaining basis for the current year and all future years. This provision creates significant tax deductions in the year of acquisition for qualifying property.

### Other Provisions

The 15 year recovery period for certain qualifying property will also expire.

Qualified Leasehold Improvement Property, Qualified Restaurant Property, and Qualified Retail Property placed in service before January 1, 2014 will be eligible for the 15 year recovery period.

After that time, these improvements will be depreciated over the standard 39-year recovery period. In addition to the loss of the 15-year recovery period, Qualified Leasehold Improvements will no longer be eligible for the 50% bonus depreciation. While Qualified Leasehold Improvements are currently eligible for 50% bonus, it is important to note that Qualified Restaurant and Qualified Retail property are not eligible for bonus.

## Code Section 179

The Code Section 179 deduction will be significantly reduced after December 31, 2013.

For 2013, any taxpayer other than an estate, trust, and certain non-corporate lessors can deduct as an expense in the current year, rather than capitalize and depreciate over the life of the asset, up to \$500,000 of new or used tangible personal property or up to \$250,000 for certain types of qualifying real property.

This amount is limited to the taxable income of the taxpayer deducting the expense and is reduced dollar for dollar by the amount of Section 179 property placed in service this year in excess \$2,000,000. For tax years beginning after December 31, 2013, this expensing limit is scheduled to drop drastically from \$500,000 to \$25,000 and the dollar for dollar reduction will go from \$2,000,000 to \$200,000.

If you would like to learn more about these deductions, please contact us at 1.877.410.5010 or [info@scarpelloconsulting.com](mailto:info@scarpelloconsulting.com).