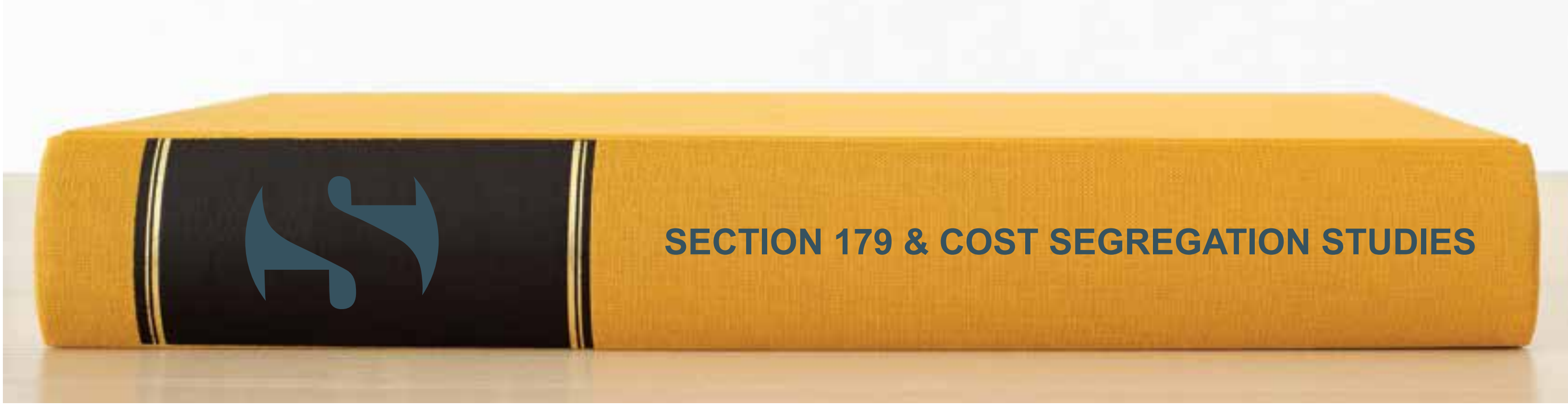

The 2017 Tax Cuts and Jobs Act (TCJA) amended §179 in important ways for property owners and investors. For property placed in service in tax years beginning after 12/31/2017, these changes included an increase of the investment limitation phaseout range, an increase of the maximum deductible amount, and an expansion of the types of qualifying assets for the deduction.

The beginning of the investment limitation phaseout range increased from $2,000,000 ($2,070,000 for 2018 under the old law) to $2,500,000 and the maximum deductible amount increased from $500,000 ($520,000 for 2018 under the old law) to $1,000,000. Both amounts are indexed to inflation for tax years beginning after the 2018 calendar year.

The types of property qualifying for the deduction were also expanded. In addition to tangible §1245 property and off-the-shelf computer software, at the election of the taxpayer, qualified real property may still be expensed. However, qualified real property is now defined at §179(e) as qualified improvement property, and roofs, HVAC property, fire protection and alarm systems, and security systems for nonresidential real property that are placed in service after the date such nonresidential real property was first placed in service.

This is an important expansion of the types of qualifying property, as roofs, HVAC property, and fire protection/alarm/security systems are property improvements that typically cannot be avoided and are the most difficult to plan for.

Note: If a taxpayer makes the election to treat qualified real property as §179 property, the qualified real property must be considered for purposes of the investment limitation.

Additionally, qualifying property can now include depreciable tangible personal property used predominantly to furnish lodging or in connection with the furnishing of lodging (apartments, dorms, or any other facility where sleeping accommodations are provided and let).

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With 100% bonus depreciation, and the expansion of the qualified property types for bonus depreciation to include used property, many practitioners may be wondering if there is still a use for §179. The answer is yes, §179 is still an important part of any practitioner's toolkit.

First, qualified improvement property, roofs, HVAC property, and fire protection/ alarm/ security systems are typically ineligible for bonus depreciation. Second, the §179 deduction is unaffected, as bonus depreciation is, by any requirement to use ADS depreciation (think motor vehicle dealers deducting floorplan financing interest or electing real property trades or businesses). Therefore, for some taxpayers, and for certain types of property, §179 may be the only accelerated depreciation option available.

A cost segregation study will allow you to identify qualified property types and amounts for purposes of §179.