

**Abstract:** Business owners who go shopping for company assets this year should brush up on the enhanced bonus depreciation tax breaks created under the Tax Cuts and Jobs Act passed late last year. This article explains how the rules differ under previous tax law and the new one.

## **Business owners: Brush up on bonus depreciation**

Every company needs to upgrade its assets once in a while, whether desks and chairs or a huge piece of complex machinery. But before you go shopping this year, be sure to brush up on the enhanced bonus depreciation tax breaks created under the Tax Cuts and Jobs Act (TCJA) passed late last year.

### **Old law**

Qualified new — not used — assets that your business placed in service before September 28, 2017, fall under pre-TCJA law. For these items, you can claim a 50% first-year bonus depreciation deduction. This tax break is available for the cost of new computer systems, purchased software, vehicles, machinery, equipment, office furniture and so forth.

In addition, 50% bonus depreciation can be claimed for qualified improvement property, which means any qualified improvement to the interior portion of a nonresidential building if the improvement is placed in service after the date the building is placed in service. But qualified improvement costs don't include expenditures for the enlargement of a building, an elevator or escalator, or the internal structural framework of a building.

### **New law**

Bonus depreciation improves significantly under the TCJA. For qualified property placed in service from September 28, 2017, through December 31, 2022 (or by December 31, 2023, for certain property with longer production periods), the first-year bonus depreciation percentage is increased to 100%. In addition, the 100% deduction is allowed for both new *and used* qualifying property.

The new law also allows 100% bonus depreciation for qualified film, television and live theatrical productions placed in service on or after September 28, 2017. Productions are considered placed in service at the time of the initial release, broadcast or live commercial performance.

In later years, bonus depreciation is scheduled to be reduced to 80% for property placed in service in 2023, 60% for property placed in service in 2024, 40% for property placed in service in 2025 and 20% for property placed in service in 2026.

Important: For certain property with longer production periods, the preceding reductions are delayed by one year. For example, 80% bonus depreciation will apply to long-production-period property placed in service in 2024.

### **More details**

If and when bonus depreciation isn't available to your company, a similar tax break — the Section 179 deduction — may be able to provide comparable benefits. Please contact our firm for more details on how either might help your business.

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