Quickfinder®

Depreciation Quickfinder® Handbook (2020 Tax Year)

Updates for December 2020 Legislation and Other Recent Guidance

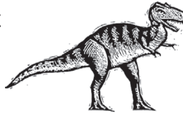
Instructions: This packet contains "marked up" changes to the pages in the *Depreciation Quickfinder® Handbook* that were affected by December 2020 legislation, which was enacted after the *Handbook* was published. Additionally, changes were made based on other guidance issued after the *Handbook* was published. To update your *Handbook*, you can make the same changes in your *Handbook* or print the revised page and paste over the original page.

MACRS Property Classification (2018 and Later Years)

Classification	Examples	GDS Depreciation Method[1]	GDS Recovery Period	Convention
3-year property	• Tractor units for over-the-road use. • Any race horse, regardless of age when placed in service.[2] • Any horse (other than a race horse) over 12 years old when placed in service. • Qualified rent-to-own property.[3]	200% Declining balance	3 years	Half-year or mid-quarter
5-year property	• Automobiles, taxis, buses, and trucks. • Computers and peripheral equipment. • Office machinery (such as typewriters, calculators, and copiers). • Property used in research and experimentation. • Breeding cattle and dairy cattle. • Machinery or equipment used in a farming business.[4] • Appliances, carpets, furniture, etc., used in a residential rental real estate activity. • Certain geothermal, solar, and wind energy property.	200% Declining balance	5 years	Half-year or mid-quarter
7-year property	• Office furniture and fixtures (such as desks, files and safes). • Any horse not eligible for a three-year recovery period.[2] • Motorsports entertainment complex placed in service after October 22, 2004 and before 2026. • Property that does not have a class life and has not been designated by law as being in any other class. • Any natural gas gathering line placed in service after April 11, 2005.	200% Declining balance	7 years	Half-year or mid-quarter
10-year property	• Vessels, barges, tugs, and similar water transportation equipment. • Single purpose agricultural or horticultural structure (see Tab 7). • Any tree or vine bearing fruits or nuts.[5] • Qualified smart electric meters and qualified smart electric grid systems placed in service after October 3, 2008.[6]	200% Declining balance	10 years	Half-year or mid-quarter
15-year property	• Certain improvements made directly to land or added to it (such as fences, roads, and bridges). • Retail motor fuels outlet (see Tab 7). • Any municipal wastewater treatment plant. • Qualified improvement property.[7] • Initial clearing and grading land improvements for gas utility property placed in service after October 22, 2004. • Electric transmission property (that is Section 1245 property) used in the transmission at 69 or more kilovolts of electricity placed in service after April 11, 2005.	150% Declining balance	15 years	Half-year or mid-quarter
20-year property	• Farm buildings (other than single purpose agricultural or horticultural structures). • Municipal sewers not classified as 25-year property. • Initial clearing and grading land improvements for electric utility transmission and distribution plants placed in service after October 22, 2004.	150% Declining balance	20 years	Half-year or mid-quarter
25-year property[8]	• Property that is an integral part of the gathering, treatment, or commercial distribution of water, and that, without regard to this provision, would be 20-year property. • Municipal sewers placed in service after June 12, 1996, other than property placed in service under a binding contract in effect at all times since June 9, 1996.	Straight-line	25 years	Half-year or mid-quarter
Residential rental property	Any building or structure, such as a rental home (including a mobile home), if 80% or more of its gross rental income for the tax year is from dwelling units. **Note:** Units in a hotel, motel, or other establishment where more than half the units are used on a transient basis are not dwelling units (see Tab 7).	Straight-line	27.5 years	Mid-month
Nonresidential real property[9]	Section 1250 property that is neither residential rental property nor property with a class life of less than 27.5 years (see Tab 7). Examples include office buildings, stores, or warehouses.	Straight-line	39 years	Mid-month

[1] Elective methods may be available. See *MACRS Depreciation Methods Available for Regular Tax* on Page 2-1.
[2] Race horses placed in service after December 31, 2008 and before January 1, 2022, regardless of age, are three-year property [IRC Sec. 168(e)(3)(A)]. Outside of that date range, race horses two years old or younger when placed in service are seven-year property.
[3] Five years for qualified rent-to-own property placed in service before August 6, 1997.
[4] Farm equipment (other than grain bins, cotton ginning assets, fences, or other land improvements) is five-year property if the equipment's original use began with the taxpayer for property placed in service after December 31, 2017 [IRC Sec. 168(e)(3)(B)(vii)]. Such property has an ADS recovery period of 10 years [IRC Sec. 168(g)(3)(B)].
[5] Must use straight-line method [IRC Sec. 168(b)(3)(E) and (e)(3)(D)(ii)].
[6] Must use 150% declining balance method [IRC Sec. 168(b)(2)(B)].
[7] Must use straight-line method [IRC Sec. 168(b)(3) and (e)(6)]. **Note:** For property placed in service after December 31, 2017, the TCJA eliminated the separate definitions of qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property. See *Leasehold Improvements* on Page 7-9 and *TCJA qualified improvement property (QIP)* on Page 7-9. **Note:** The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided a technical correction to retroactively assign qualified improvement property (QIP) a 15-year recovery period (20-year for ADS) [IRC Sec. 168(e)(3)(E)(vii)]. QIP placed in service after 2017 can qualify for bonus depreciation. See *Special Depreciation Percentages* on Page 2-15.
[8] 20 years for property placed in service before June 13, 1996, or under a binding contract in effect before June 10, 1996.
[9] 31.5 years for property placed in service before May 13, 1993.

determine if the property is specifically included in that asset class. If it is, use the recovery period shown in the appropriate column of Table B-2. If the activity is not described in Table B-2 or if the activity is described but property either is not specifically included in or is specifically excluded from that asset class, use the property's recovery period in Table B-1.



2) *Table B-2.* If the property is not listed in Table B-1, check Table B-2 to find the activity in which the property is being used. If the activity is listed, use the recovery period shown in the appropriate column following the description.

Property not in either table. If the activity or the property is not included in either table, check the end of Table B-2 to find *Certain Property for Which Recovery Periods Assigned*. This property generally has a recovery period of seven years for GDS or 12 years for ADS.

Example #1: GreenCo is a paper manufacturer. During the year, the company made substantial improvements to the land on which its paper plant is located. To determine the proper recovery period for the improvements, first check Table B-1, *Specific Depreciable Assets Used in All Business Activities, Except as Noted*. Here, land improvements are listed under Asset Class 00.3. Then check Table B-2, *Depreciable Assets Used in the Following Activities*. Here, GreenCo's business activity, paper manufacturing, is under Asset Class 26.1, *Manufacture of Pulp and Paper*. The proper recovery period is the one under this asset class because it specifically includes land improvements. The land improvements have a seven-year GDS recovery period. If the company elects to use ADS, the recovery period is 13 years.

If only Table B-1 had been considered, Asset Class 00.3, *Land Improvements* would have been chosen and a recovery period of 15 years for GDS or 20 years for ADS incorrectly used.

Example #2: RubberCo produces rubber products. During the year, the company made substantial improvements to the land on which its rubber plant is located. To determine the proper recovery period for the improvements, first check Table B-1. Here, land improvements are under Asset Class 00.3. Next, check Table B-2, where the company's activity, producing rubber products, is listed under Asset Class 30.1, *Manufacture of Rubber Products*. However, the headings and descriptions under Asset Class 30.1 do not include land improvements. Therefore, the proper recovery period to use is that under Asset Class 00.3. The land improvements have a 15-year GDS recovery period. If ADS is elected, the recovery period is 20 years.

Example #3: Pam Martin owns a retail clothing store. During the year, she purchased a desk and a cash register for use in her business. Table B-1 shows office furniture under Asset Class 00.11. Cash registers are not listed in any of the asset classes in Table B-1. In Table B-2, the business activity, retail store, is listed under Asset Class 57.0, *Distributive Trades and Services*, which includes assets used in wholesale and retail trade. This asset class does not specifically list office furniture or a cash register. Therefore, Asset Class 00.11 from Table B-1 is used for the desk. The desk has a seven-year GDS recovery period. If the ADS method is elected, the recovery period is 10 years. For the cash register, Asset Class 57.0 is used because cash registers are not listed in Table B-1 but are assets used in a retail business. The cash register has a five-year recovery period for GDS. If the ADS method is elected, the recovery period is nine years.

Property Used in Retail/Distributive Trades or Services

Asset Class 57.0 allows assets used in wholesale and retail trades and personal and professional services to be depreciated over a five-year GDS recovery period (nine-year for ADS).

Examples of Retail/Distributive Trades or Services[1]

Business Type	Examples
Personal Services	Dry cleaners, beauty and barber shops, hotels and motels, photography studios, and mortuaries.
Professional Services	Doctors, dentists, attorneys, accountants, engineers, architects, and veterinarians.
Retail Trade	Grocery and department stores, restaurants, cafes, coin-operated dispensing machines, and retail stores.
Wholesale	Beverage distributors.

[1] This is not an exhaustive list.

Property Used in a Residential Rental Activity

The recovery periods for property used in a residential rental activity are summarized in the following table.

MACRS Recovery Periods for Property Used in Residential Rental Activities

IRS Pub. 527

Assets	Recovery Period in Years GDS	ADS
Computers and their peripheral equipment	5	5
Office machinery, such as typewriters, calculators, copiers	5	6
Automobiles	5	5
Light trucks	5	5
Appliances, such as stoves, refrigerators, etc.	5	9
Carpets	5	9
Furniture used in rental property	5	9
Office furniture and equipment (desks, file cabinets, etc.)	7	10
Any property that does not have a class life and that has not been designated by law as being in any other class	7	10
Roads	15	20
Shrubbery	15	20
Fences	15	20
Residential rental property (buildings or structures, including mobile homes) and structural components such as furnaces, waterpipes, venting, etc. Additions and improvements (such as a new roof) have the same recovery period as the property to which the addition or improvement is made, determined as if the property were placed in service at the same time as the addition or improvement.	27.5	30

Indian Reservation Property

For assets placed in service before 2022, special recovery periods apply to qualified Indian reservation property.

The recovery periods for qualified property placed in service on an Indian reservation after 1993 and before 2022 are shorter than normal for some property classes. To be eligible for the shorter recovery periods, the property must be used predominantly in the active conduct of a trade or business or a rental real estate activity within an Indian reservation [IRC Sec. 168(j)]. Beginning in 2016, an irrevocable election out of the shorter recovery periods is permitted

The recovery period of new machinery or equipment used in a farming business (other than any grain bin, cotton ginning asset, fence, or other land improvement) and placed in service after December 31, 2017 is five years and it is depreciated under the 200% declining balance method (instead of the seven-year life and 150% declining balance method previously required) [IRC Sec. 168(e)(3)(B)(vii)].

Farming is any of the following [Reg. 1.263A-4(a)(4)]:

1) Raising and harvesting crops,
2) Raising, shearing, feeding, caring for, training and managing animals,
3) Operating a nursery or sod farm,
4) Raising or harvesting trees bearing fruits, nuts, or other crops, or
5) Raising ornamental trees.

Electing farming business. A farming business may elect to not apply the business interest expense limitation deduction rules. If made, this election requires the electing farming business to use ADS to depreciate any property used in the farming business with a recovery period of 10 years or more [IRC Secs. 163(j)(7)(C) and 168(g)(1)(G)]. See *Limitation on business interest expense* on Page 2-16.

Rev. Proc. 2019-8 provides guidance on how to change from GDS to ADS for existing farm property placed in service before 2018 and newly acquired farm property placed in service after 2017. Existing property is treated as if it is property for which a change in use occurs in the election year. Therefore, depreciation is determined under Reg. 1.168(i)-4(d) beginning with the election year (see *Changes in an Asset's Use* on Page 2-20). The change to the ADS, as required by the election, is not a change in accounting method. Newly acquired property is simply depreciated under ADS for its placed in service year and later tax years.

Caution: If an electing farming business does not depreciate either existing or newly acquired property under the ADS, then that business is considered to have adopted an impermissible method of accounting for that item of property for which a change in accounting method is required. For more information on accounting method changes, see Tab 10 and *Section 6 of Rev. Proc. 2019-43, Depreciation or Amortization Accounting Method Changes* on Page 12-13.

Note: Rev. Proc. 2019-8 also applies to an electing real property trade or business change from GDS to ADS in the same way as described above for an electing farming business. It also provides an optional 30-year depreciation table for residential rental property placed in service after 2017 (the ADS recovery period for residential rental property placed in service before 2018 is 40 years). See *MACRS Table 30* on Page 4-32.

ADS Required for Some Farmers

The alternative depreciation system (ADS) must be used if the taxpayer elects not to apply the Section 263A uniform capitalization rules (UNICAP) to any plant with a preproductive period of more than two years produced in a farming business. (See *Plants With a Preproductive Period of More Than Two Years* on Page 2-12 for a list of such plants.) ADS must be used for all property placed in service in any year the election is in effect [IRC Sec. 263A(e)(2)].

Observation: The TCJA added IRC Sec. 263A(i) exempting small business taxpayers from the UNICAP rules when average

Farm Property Recovery Periods

IRS Pub. 225 and Rev. Proc. 87-56

Assets	Recovery Period in Years GDS	ADS
Agricultural structures (single purpose)	10	15
Airplanes (including helicopters)[1]	5	6
Automobiles	5	5
Calculators and copiers	5	6
Cattle (dairy or breeding)	5	7
Communication equipment[2]	7	10
Computer and peripheral equipment	5	5
Cotton ginning assets	7	12
Drainage facilities	15	20
Farm buildings[3]	20	25
Farm machinery and equipment[4]	5 or 7[4]	10
Fences (agricultural)	7	10
Goats and sheep (breeding)	5	5
Grain bins	7	10
Hogs (breeding)	3	3
Horses (age when placed in service)		
• Breeding and working (12 years or less)	7	10
• Breeding and working (more than 12 years)	3	10
• Racing horses[5]	3	12
Horticultural structures (single purpose)	10	15
House trailers for farm laborers—mobile (has wheels and a history of movement)	7	10
House trailers for farm laborers—not mobile (wheels have been removed and permanent utilities and pipes are attached to it)	20	25
Logging machinery and equipment[6]	5	6
Nonresidential real property	39[7]	40
Office furniture, fixtures and equipment (not calculators, copiers or typewriters)	7	10
Paved lots	15	20
Residential rental property	27.5	30
Tractor units (over-the-road)	3	4
Trees or vines bearing fruit or nuts	10	20
Truck (heavy duty, unloaded weight 13,000 lbs. or more)	5	6
Truck (actual weight less than 13,000 lbs.)	5	5
Vineyard trellising	7	10
Water wells (for raising poultry and livestock)	15	20

[1] Not including airplanes used in commercial or contract carrying of passengers.
[2] Not including communication equipment listed in other classes.
[3] Not including single purpose agricultural or horticultural structures.
[4] New farm equipment (other than grain bins, cotton ginning assets, fences or other land improvements) is five-year property if placed in service in 2009 or after 12/31/17.
[5] For race horses, regardless of age, placed in service after 12/31/08 and before 1/1/22. Outside of that date range, race horses more than two years old when placed in service are three-year property, and race horses two years old or younger are seven-year property.
[6] Used by logging and sawmill operators for cutting timber.
[7] For property placed in service after 5/12/93; for property placed in service before 5/13/93, the recovery period is 31.5 years.

annual gross receipts for the prior three years are under the threshold in IRC Sec. 448(c) ($26 million for 2020). This exemption does not require the use of ADS depreciation. Rev. Proc. 2020-13 provides guidance for farmers to revoke a prior election to not apply the UNICAP rules and instead apply the small business taxpayer exemption in the same tax year. In addition, the revenue procedure provides guidance for eligible farmers who no longer qualify as small business taxpayers (that is, prior three year average annual gross receipts greater than $26 million in 2020).

Note: In January 2021, the IRS issued final regulations that implement statutory changes and provide guidance and clarifying definitions for taxpayers that meet this gross receipts test (TD 9942).

Example #1: Leroy has previously grown only small grain. Leroy has never been subject to the uniform capitalization (UNICAP) rules because the preproductive period of this crop is less than two years. Leroy plants an apple orchard in the current year and the UNICAP rules would apply to the orchard because the preproductive period for apples is greater than two years. However, because Leroy's prior three year average annual gross receipts are less than $26 million, he is exempt from the UNICAP rules as a small business taxpayer under IRC Sec. 263A(i) and is not required to use ADS depreciation.

Variation: Assume now that Leroy's prior three year average annual gross receipts are greater than $26 million. Leroy elects not to have the UNICAP rules apply by deducting all preproductive period costs associated with the apple orchard on his current-year Schedule F. As a result of the election to avoid UNICAP, Leroy must use ADS depreciation for all property placed in service in his farming business during the year of the election, including assets solely used in the grain activity.

Example #2: Green Farm, Inc. is actively involved in agricultural activities. Green Farm purchases a 10-acre piece of land that includes a farm house, hog barns, a general purpose machine shed and a grain bin. Green Farm also purchases the hog livestock on site. In considering how to depreciate the personal and real property purchased, all the assets purchased are considered farm assets, depreciable under the 150% or 200% declining balance method, and assigned the following recovery periods:

- The farm house (Asset Class 01.3) is used to house the farm manager and is depreciated over 20 years, 150DB.
- The machine shed (Asset Class 01.3) is a general purpose farm building subject to 20-year life, 150DB.
- The hog barns (Asset Class 01.4) qualify as single purpose agricultural buildings depreciated over 10 years, 200DB.
- The machinery and equipment (Asset Class 01.1) inside the hog barns are seven-year property (since used, not new), 200DB.
- The grain bin (Asset Class 01.1) is seven-year property, 200DB.
- The breeding hogs (Asset Class 01.23) are three-year property, 200DB.

Plants With a Preproductive Period of More Than Two Years

Plants producing the following crops or yields have a nationwide weighted average preproductive period of more than two years: (Notice 2013-18)

• Almonds	• Dates	• Macadamia nuts	• Persimmons
• Apples	• Figs	• Mangoes	• Pistachio nuts
• Apricots	• Grapefruit	• Nectarines	• Plums
• Avocados	• Grapes	• Olives	• Pomegranates
• Blueberries	• Guavas	• Oranges	• Prunes
• Cherries	• Kiwifruit	• Peaches	• Tangelos
• Chestnuts	• Kumquats	• Pears	• Tangerines
• Coffee beans	• Lemons	• Pecans	• Tangors
• Currants	• Limes		• Walnuts

Short Tax Years

The optional MACRS depreciation tables (see Tab 4) assume that the tax year property is placed in service and all subsequent tax years in the recovery period are full 12-month years. When property is placed in service or subject to depreciation deductions during a short tax year, special calculations apply (Rev. Proc. 89-15).

Caution: The optional MACRS depreciation tables cannot be used to compute depreciation if at any time during the recovery period there is a short tax year.

When the Tax Year Begins

The tax year does not begin until the taxpayer engages in a trade or business. For employee business expense purposes, the tax year can include any period during which the person is engaged in a trade or business as an employee, including periods before assets are placed in service.

Example: On July 1 of the current tax year, ABC Corp. expanded its sales department and required employees to furnish their own auto as a condition of employment. Bill has been an employee of ABC for three years; Curt and David are new hires. Curt previously worked for five years for a similar business; David recently graduated from college, and this is his first job. All three placed an auto in service on July 1 as a result of ABC's requirement.

Bill and Curt do not have a short tax year for the auto placed in service on July 1 because they are considered to have been engaged in a trade or business for the entire year. Conversely, David has a short tax year beginning with his employment on July 1.

Placed-in-Service Date in a Short Tax Year

Depreciation in a short year begins on the placed-in-service date determined under the applicable convention.

Observation: Under both the half-year and the mid-month conventions, assets are always deemed to be placed in service on the first day or the midpoint of the month.

Half-year convention. Under the half-year convention, treat property as placed in service or disposed of on the midpoint of that tax year.

If the short tax year begins on the first day of a month or ends on the last day of a month, the tax year consists of the number of months in the tax year. Treat any part of a month as a full month. Divide the number of months in the short year by two to determine the year's midpoint. Treat property as placed in service or disposed of on either the first day or the midpoint of a month.

Example #1: Tara Corporation, a calendar-year taxpayer, was incorporated on March 15. To apply the half-year convention, Tara has a short tax year of 10 months, ending on December 31. Therefore, the midpoint of the year is five months (10 months ÷ 2) after it begins. During the short tax year, Tara placed property subject to the half-year convention in service. Tara treats this property as placed in service on the first day of the sixth month of the short tax year (August 1).

Example #2: Assume the same facts as in Example #1, except that Tara was incorporated on April 18. The short year will consist of nine months. Therefore, the midpoint of the year is 4.5 months (9 months ÷ 2) after it begins. Tara treats the property as placed in service on the 15th day of the fifth month of the short tax year (August 15).

For a short tax year that (1) does not begin on the first day of a month and (2) does not end on the last day of a month, the tax year consists of the number of days in the year. Determine the year's midpoint by dividing the number of days in the tax year by two.

If the result of dividing the number of days in the tax year by two is not the first day or the midpoint of a month, treat the property as placed in service or disposed of on the nearest preceding first day or midpoint of a month.

Quick Guide to MACRS Depreciation Tables

Property Class	Regular Tax: General Depreciation System — No election made	Regular Tax: General Depreciation System — SL Election (if elected, also use for AMT)	Regular Tax: Alternative Depreciation System[1] (if elected or required, also use for AMT)	Alternative Minimum Tax[1]
Property Placed in Service after 1998[2, 3]				
3-year, 5-year, 7-year and 10-year (Nonfarm; Farm placed in service after 2017)[4, 5]	200% DB GDS recovery period *MACRS Table 1–4*	SL GDS recovery period *MACRS Table 15–19*	SL ADS recovery period *MACRS Table 15–19*	150% DB GDS recovery period *MACRS Table 1–4*
3-year, 5-year, 7-year and 10-year (Farm Property placed in service before 2018)[4, 5]	150% DB GDS recovery period *MACRS Table 1–4*	SL GDS recovery period *MACRS Table 15–19*	SL ADS recovery period *MACRS Table 15–19*	150% DB GDS recovery period *MACRS Table 1–4*
15-year[6]	150% DB 15 years *MACRS Table 5*	SL 15 years *MACRS Table 5*	SL ADS recovery period *MACRS Table 15–19*	If Section 1250 property, SL 15 years If Section 1245 property, 150% DB 15 years *MACRS Table 5*
20-year	150% DB 20 years *MACRS Table 6*	SL 20 years *MACRS Table 6*	SL ADS recovery period *MACRS Table 15–19*	If Section 1250 property, SL 20 years If Section 1245 property, 150% DB 20 years *MACRS Table 6*
Residential Rental Real Property[7]	SL 27.5 years *MACRS Table 7*	N/A	SL 40 years[8] *MACRS Table 20* SL 30 years[8] *MACRS Table 30*	SL 27.5 years *MACRS Table 7*
Nonresidential Real Property[6,7]	SL 39 years *MACRS Table 9*	N/A	SL 40 years *MACRS Table 20*	SL 39 years *MACRS Table 9*
Property Placed in Service 1987–1998[3]				
3-year, 5-year, 7-year and 10-year (Nonfarm; Farm placed in service before 1989)[4, 5]	200% DB GDS recovery period *MACRS Table 1–4*	SL GDS recovery period[9] *MACRS Table 15–19*	SL ADS recovery period *MACRS Table 15–19*	150% DB ADS recovery period *MACRS Table 10–14*
3-year, 5-year, 7-year and 10-year (Farm Property placed in service after 1988)[4, 5]	150% DB GDS recovery period *MACRS Table 1–4*	SL GDS recovery period[9] *MACRS Table 15–19*	SL ADS recovery period *MACRS Table 15–19*	150% DB ADS recovery period *MACRS Table 10–14*
15-year	150% DB 15 years *MACRS Table 5*	SL 15 years[9] *MACRS Table 5*	SL ADS recovery period *MACRS Table 15–19*	SL ADS recovery period *MACRS Table 15–19*
20-year	150% DB 20 years *MACRS Table 6*	SL 20 years[9] *MACRS Table 6*	SL ADS recovery period *MACRS Table 15–19*	SL ADS recovery period *MACRS Table 15–19*
Residential Rental Real Property	SL 27.5 years *MACRS Table 7*	N/A	SL 40 years *MACRS Table 20*	SL 40 years *MACRS Table 20*
Nonresidential Real Property (placed in service after 1986 and before May 13, 1993)	SL 31.5 years *MACRS Table 8*	N/A	SL 40 years *MACRS Table 20*	SL 40 years *MACRS Table 20*
Nonresidential Real Property (placed in service after May 12, 1993 and before 1999)	SL 39 years *MACRS Table 9*	N/A	SL 40 years *MACRS Table 20*	SL 40 years *MACRS Table 20*

[1] Can be elected for any asset, if not already required [IRC Sec. 168(b)(2)(C) and (g)(1)(E)].
[2] Special (bonus) depreciation is available for qualified property placed in service during 2008–2026 (2027 for certain long production period property and aircraft) [IRC Sec. 168(k)]. See *Special (Bonus) Depreciation* on Page 2-14.
[3] Certain classes of qualified Indian reservation property placed in service during 1994–2021 have a shorter recovery period than the one normally assigned to that class [IRC Sec. 168(j)]. See *Indian Reservation Property* on Page 2-5 and *MACRS Table 26–29*.
[4] ADS method is required for farm assets (a) when an election to not apply the uniform capitalization rules is in effect or (b) with a 10-year or greater recovery period if held by a farming business electing out of the business interest deduction limit [IRC Secs. 263A(e)(2) and 168(g)(1)(G)]. See *Farm Property* on Page 2-10.
[5] Trees and vines bearing fruit or nuts and placed in service after 1988 are depreciated SL over 10 years for regular tax and AMT. [IRC Sec. 168(b)(3)(E) and (e)(3)(D)(ii)]
[6] Qualified leasehold improvement property and qualified restaurant property placed in service after 10/22/04, qualified retail improvement property placed in service after 2008, and qualified improvement property (QIP) placed in service after 2017 are depreciated using SL over 15 years for regular tax and AMT and 39 (20 for QIP) years for ADS [former and current IRC Sec. 168(b)(3), (e)(3)(E) and (g)(3)(B)]. See *Leasehold Improvements* on Page 7-9, *TCJA qualified improvement property (QIP)* on Page 7-9, and *ADS Recovery Periods* on Page 2-2.
[7] ADS method is required if held by a real property business electing out of the business interest deduction limit [IRC Sec. 168(g)(1)(F) and (g)(8)].
[8] 40 years if placed in service before 2018; 30 years if placed in service after 2017.
[9] Use the ADS recovery period for AMT [IRC Sec. 56(a)(1)].

MACRS Table 1: Three-Year MACRS

For property placed in service after 1986

200% Declining Balance

- *Regular tax depreciation for personal property with three-year recovery period [includes all racehorses (placed in service after 2008 and before 2022), racehorses over two years old (placed in service before 2009 and after 2021), other horses more than 12 years old, qualified rent-to-own property, tractors for over-the-road use, qualified Indian reservation property placed in service in 1994–2021 that would otherwise have a 5-year recovery period and assets used in certain activities].*

Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired 1	2	3	4
1	33.33%	58.33%	41.67%	25.00%	8.33%
2	44.45	27.78	38.89	50.00	61.11
3	14.81	12.35	14.14	16.67	20.37
4	7.41	1.54	5.30	8.33	10.19

150% Declining Balance

- *Regular tax depreciation for three-year assets used in a farming business placed in service before 2018.*
- *AMT depreciation for property with three-year recovery period placed in service after 1998.*
- *Can be elected for regular tax.*

Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired 1	2	3	4
1	25.00%	43.75%	31.25%	18.75%	6.25%
2	37.50	28.13	34.38	40.63	46.88
3	25.00	25.00	25.00	25.00	25.00
4	12.50	3.12	9.37	15.62	21.87

These percentages incorporate the switch from declining-balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, multiply the depreciation obtained from these tables by ½ if half-year convention applied. For a disposition of property under the mid-quarter convention, see *Convention in Year of Disposition* on Page 2-7.

MACRS Table 2: Five-Year MACRS

For property placed in service after 1986

200% Declining Balance

- *Regular tax depreciation for personal property with five-year recovery period (includes autos, computers, typewriters, copiers and assets used in certain activities).*

Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired 1	2	3	4
1	20.00%	35.00%	25.00%	15.00%	5.00%
2	32.00	26.00	30.00	34.00	38.00
3	19.20	15.60	18.00	20.40	22.80
4	11.52	11.01	11.37	12.24	13.68
5	11.52	11.01	11.37	11.30	10.94
6	5.76	1.38	4.26	7.06	9.58

150% Declining Balance

- *Regular tax depreciation for five-year assets used in a farming business placed in service before 2018.*
- *AMT depreciation for property with five-year recovery period placed in service after 1998.*
- *Can be elected for regular tax.*

Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired 1	2	3	4
1	15.00%	26.25%	18.75%	11.25%	3.75%
2	25.50	22.13	24.38	26.63	28.88
3	17.85	16.52	17.06	18.64	20.21
4	16.66	16.52	16.76	16.56	16.40
5	16.66	16.52	16.76	16.57	16.41
6	8.33	2.06	6.29	10.35	14.35

These percentages incorporate the switch from declining-balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, multiply the depreciation obtained from these tables by ½ if half-year convention applied. For a disposition of property under the mid-quarter convention, see *Convention in Year of Disposition* on Page 2-7.

MACRS Table 3: Seven-Year MACRS

For property placed in service after 1986

200% Declining Balance

- *Regular tax depreciation for personal property with seven-year recovery period (includes office furniture and fixtures, horses not eligible for a three-year recovery period and assets used in certain activities).*

Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired 1	2	3	4
1	14.29%	25.00%	17.85%	10.71%	3.57%
2	24.49	21.43	23.47	25.51	27.55
3	17.49	15.31	16.76	18.22	19.68
4	12.49	10.93	11.97	13.02	14.06
5	8.93	8.75	8.87	9.30	10.04
6	8.92	8.74	8.87	8.85	8.73
7	8.93	8.75	8.87	8.86	8.73
8	4.46	1.09	3.34	5.53	7.64

150% Declining Balance

- *Regular tax depreciation for seven-year assets used in a farming business placed in service before 2018.*
- *AMT depreciation for property with seven-year recovery period placed in service after 1998.*
- *Can be elected for regular tax.*

Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired 1	2	3	4
1	10.71%	18.75%	13.39%	8.04%	2.68%
2	19.13	17.41	18.56	19.71	20.85
3	15.03	13.68	14.58	15.48	16.39
4	12.25	12.16	12.22	12.27	12.87
5	12.25	12.16	12.22	12.28	12.18
6	12.25	12.16	12.22	12.27	12.18
7	12.25	12.16	12.23	12.28	12.19
8	6.13	1.52	4.58	7.67	10.66

These percentages incorporate the switch from declining-balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, multiply the depreciation obtained from these tables by ½ if half-year convention applied. For a disposition of property under the mid-quarter convention, see *Convention in Year of Disposition* on Page 2-7.

MACRS Table 10:
150% Declining Balance—All Lives—Half-Year Convention

For property placed in service after 1986

- *Regular tax depreciation for qualified Indian reservation property placed in service in 1994–2021 with a nine-year or 12-year recovery period.*
- *AMT depreciation for tangible personal property (three-year, five-year, seven-year and 10-year recovery period).*
  - *For assets placed in service after 1998, use GDS recovery period.*
  - *For assets placed in service before 1999, use ADS recovery period.*

Year	Recovery periods in years												
	2.5	3	3.5	4	5	6	6.5	7	7.5	8	8.5	9	9.5
1	30.0%	25.0%	21.43%	18.75%	15.00%	12.50%	11.54%	10.71%	10.00%	9.38%	8.82%	8.33%	7.89%
2	42.0	37.5	33.67	30.47	25.50	21.88	20.41	19.13	18.00	16.99	16.09	15.28	14.54
3	28.0	25.0	22.45	20.31	17.85	16.41	15.70	15.03	14.40	13.81	13.25	12.73	12.25
4		12.5	22.45	20.31	16.66	14.06	13.09	12.25	11.52	11.22	10.91	10.61	10.31
5				10.16	16.66	14.06	13.09	12.25	11.52	10.80	10.19	9.65	9.17
6					8.33	14.06	13.09	12.25	11.52	10.80	10.19	9.64	9.17
7						7.03	13.08	12.25	11.52	10.80	10.18	9.65	9.17
8								6.13	11.52	10.80	10.19	9.64	9.17
9										5.40	10.18	9.65	9.17
10												4.82	9.16

Year	Recovery periods in years												
	10	10.5	11	11.5	12	12.5	13	13.5	14	15	16	16.5	17
1	7.50%	7.14%	6.82%	6.52%	6.25%	6.00%	5.77%	5.56%	5.36%	5.00%	4.69%	4.55%	4.41%
2	13.88	13.27	12.71	12.19	11.72	11.28	10.87	10.49	10.14	9.50	8.94	8.68	8.43
3	11.79	11.37	10.97	10.60	10.25	9.93	9.62	9.33	9.05	8.55	8.10	7.89	7.69
4	10.02	9.75	9.48	9.22	8.97	8.73	8.51	8.29	8.08	7.70	7.34	7.17	7.01
5	8.74	8.35	8.18	8.02	7.85	7.69	7.53	7.37	7.22	6.93	6.65	6.52	6.39
6	8.74	8.35	7.98	7.64	7.33	7.05	6.79	6.55	6.44	6.23	6.03	5.93	5.83
7	8.74	8.35	7.97	7.64	7.33	7.05	6.79	6.55	6.32	5.90	5.55	5.39	5.32
8	8.74	8.35	7.98	7.63	7.33	7.05	6.79	6.55	6.32	5.90	5.55	5.39	5.23
9	8.74	8.36	7.97	7.64	7.33	7.04	6.79	6.55	6.32	5.91	5.55	5.39	5.23
10	8.74	8.35	7.98	7.63	7.33	7.05	6.79	6.55	6.32	5.90	5.55	5.39	5.23
11	4.37	8.36	7.97	7.64	7.32	7.04	6.79	6.55	6.32	5.91	5.55	5.39	5.23
12			3.99	7.63	7.33	7.05	6.78	6.55	6.32	5.90	5.55	5.39	5.23
13					3.66	7.04	6.79	6.56	6.32	5.91	5.54	5.38	5.23
14							3.39	6.55	6.31	5.90	5.55	5.39	5.23
15									3.16	5.91	5.54	5.38	5.23
16										2.95	5.55	5.39	5.23
17											2.77	5.38	5.23
18													2.62

These percentages incorporate the switch from declining balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, multiply the depreciation obtained from this table by ½.

MACRS Table 11:
150% Declining Balance—All Lives—Mid-Quarter Convention, Property Placed in Service 1st Quarter

For property placed in service after 1986

- *Regular tax depreciation for qualified Indian reservation property placed in service in 1994–2021 with a nine-year or 12-year recovery period.*
- *AMT depreciation for tangible personal property (three-year, five-year, seven-year and 10-year recovery period).*
  - *For assets placed in service after 1998, use GDS recovery period.*
  - *For assets placed in service before 1999, use ADS recovery period.*

Year	Recovery periods in years												
	2.5	**3**	**3.5**	**4**	**5**	**6**	**6.5**	**7**	**7.5**	**8**	**8.5**	**9**	**9.5**
1	52.50%	43.75%	37.50%	32.81%	26.25%	21.88%	20.19%	18.75%	17.50%	16.41%	15.44%	14.58%	13.82%
2	29.23	28.13	26.79	25.20	22.13	19.53	18.42	17.41	16.50	15.67	14.92	14.24	13.61
3	18.27	25.00	21.98	19.76	16.52	14.65	14.17	13.68	13.20	12.74	12.29	11.86	11.46
4		3.12	13.73	19.76	16.52	14.06	13.03	12.16	11.42	10.77	10.20	9.89	9.65
5				2.47	16.52	14.06	13.02	12.16	11.42	10.77	10.19	9.64	9.15
6					2.06	14.06	13.03	12.16	11.41	10.76	10.20	9.65	9.15
7						1.76	8.14	12.16	11.42	10.77	10.19	9.64	9.15
8								1.52	7.13	10.76	10.20	9.65	9.15
9										1.35	6.37	9.64	9.14
10												1.21	5.72

Year	Recovery periods in years												
	10	**10.5**	**11**	**11.5**	**12**	**12.5**	**13**	**13.5**	**14**	**15**	**16**	**16.5**	**17**
1	13.13%	12.50%	11.93%	11.41%	10.94%	10.50%	10.10%	9.72%	9.38%	8.75%	8.20%	7.95%	7.72%
2	13.03	12.50	12.01	11.56	11.13	10.74	10.37	10.03	9.71	9.13	8.61	8.37	8.14
3	11.08	10.71	10.37	10.05	9.74	9.45	9.18	8.92	8.67	8.21	7.80	7.61	7.42
4	9.41	9.18	8.96	8.74	8.52	8.32	8.12	7.93	7.74	7.39	7.07	6.92	6.77
5	8.71	8.32	7.96	7.64	7.46	7.32	7.18	7.04	6.91	6.65	6.41	6.29	6.17
6	8.71	8.32	7.96	7.64	7.33	7.04	6.78	6.53	6.31	5.99	5.80	5.71	5.63
7	8.71	8.32	7.96	7.64	7.33	7.04	6.77	6.54	6.31	5.90	5.54	5.38	5.23
8	8.71	8.32	7.96	7.64	7.33	7.04	6.78	6.53	6.31	5.91	5.54	5.38	5.23
9	8.71	8.32	7.96	7.64	7.33	7.04	6.77	6.54	6.31	5.90	5.54	5.38	5.23
10	8.71	8.31	7.97	7.63	7.32	7.04	6.78	6.53	6.31	5.91	5.54	5.38	5.23
11	1.09	5.20	7.96	7.64	7.33	7.04	6.77	6.54	6.31	5.90	5.54	5.38	5.23
12			1.00	4.77	7.32	7.03	6.78	6.53	6.31	5.91	5.54	5.38	5.22
13					0.92	4.40	6.77	6.54	6.32	5.90	5.54	5.38	5.23
14							0.85	4.08	6.31	5.91	5.55	5.38	5.22
15									0.79	5.90	5.54	5.38	5.23
16										0.74	5.55	5.37	5.22
17											0.69	3.36	5.23
18													0.65

These percentages incorporate the switch from declining balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, see *Convention in Year of Disposition* on Page 2-7.

MACRS Table 12:
150% Declining Balance—All Lives—Mid-Quarter Convention, Property Placed in Service 2nd Quarter

For property placed in service after 1986

- *Regular tax depreciation for qualified Indian reservation property placed in service in 1994–2021 with a nine-year or 12-year recovery period.*
- *AMT depreciation for tangible personal property (three-year, five-year, seven-year and 10-year recovery period).*
  - *For assets placed in service after 1998, use GDS recovery period.*
  - *For assets placed in service before 1999, use ADS recovery period.*

Year	Recovery periods in years												
	2.5	**3**	**3.5**	**4**	**5**	**6**	**6.5**	**7**	**7.5**	**8**	**8.5**	**9**	**9.5**
1	37.50%	31.25%	26.79%	23.44%	18.75%	15.63%	14.42%	13.39%	12.50%	11.72%	11.03%	10.42%	9.87%
2	37.50	34.38	31.38	28.71	24.38	21.09	19.75	18.56	17.50	16.55	15.70	14.93	14.23
3	25.00	25.00	22.31	20.15	17.06	15.82	15.19	14.58	14.00	13.45	12.93	12.44	11.98
4		9.37	19.52	20.15	16.76	14.06	13.07	12.22	11.49	10.93	10.65	10.37	10.09
5				7.55	16.76	14.06	13.07	12.22	11.49	10.82	10.19	9.64	9.16
6					6.29	14.07	13.07	12.22	11.49	10.82	10.19	9.65	9.16
7						5.27	11.43	12.23	11.48	10.83	10.19	9.64	9.16
8								4.58	10.05	10.82	10.20	9.65	9.17
9										4.06	8.92	9.64	9.16
10												3.62	8.02

Year	Recovery periods in years												
	10	**10.5**	**11**	**11.5**	**12**	**12.5**	**13**	**13.5**	**14**	**15**	**16**	**16.5**	**17**
1	9.38%	8.93%	8.52%	8.15%	7.81%	7.50%	7.21%	6.94%	6.70%	6.25%	5.86%	5.68%	5.51%
2	13.59	13.01	12.47	11.98	11.52	11.10	10.71	10.34	10.00	9.38	8.83	8.57	8.34
3	11.55	11.15	10.77	10.42	10.08	9.77	9.47	9.19	8.92	8.44	8.00	7.80	7.60
4	9.82	9.56	9.31	9.06	8.82	8.60	8.38	8.17	7.97	7.59	7.25	7.09	6.93
5	8.73	8.34	8.04	7.88	7.72	7.56	7.41	7.26	7.12	6.83	6.57	6.44	6.32
6	8.73	8.34	7.98	7.64	7.33	7.04	6.78	6.55	6.35	6.15	5.95	5.86	5.76
7	8.73	8.34	7.98	7.64	7.33	7.04	6.79	6.55	6.32	5.91	5.55	5.38	5.25
8	8.73	8.34	7.98	7.64	7.33	7.05	6.78	6.55	6.32	5.90	5.55	5.39	5.23
9	8.73	8.34	7.99	7.64	7.33	7.04	6.79	6.54	6.32	5.91	5.55	5.38	5.23
10	8.73	8.35	7.98	7.63	7.33	7.05	6.78	6.55	6.32	5.90	5.54	5.39	5.23
11	3.28	7.30	7.99	7.64	7.33	7.04	6.79	6.54	6.32	5.91	5.55	5.38	5.23
12			2.99	6.68	7.32	7.05	6.78	6.55	6.32	5.90	5.54	5.39	5.23
13					2.75	6.16	6.79	6.54	6.32	5.91	5.55	5.38	5.24
14							2.54	5.73	6.33	5.90	5.54	5.39	5.23
15									2.37	5.91	5.55	5.38	5.24
16										2.21	5.54	5.39	5.23
17											2.08	4.71	5.24
18													1.96

These percentages incorporate the switch from declining balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, see *Convention in Year of Disposition* on Page 2-7.

MACRS Table 13:
150% Declining Balance—All Lives—Mid-Quarter Convention, Property Placed in Service 3rd Quarter

For property placed in service after 1986

- *Regular tax depreciation for qualified Indian reservation property placed in service in 1994–2021 with a nine-year or 12-year recovery period.*
- *AMT depreciation for tangible personal property (three-year, five-year, seven-year and 10-year recovery period).*
  - *– For assets placed in service after 1998, used GDS recovery period.*
  - *– For assets placed in service before 1999, use ADS recovery period.*

Year	Recovery periods in years												
	2.5	**3**	**3.5**	**4**	**5**	**6**	**6.5**	**7**	**7.5**	**8**	**8.5**	**9**	**9.5**
1	22.50%	18.75%	16.07%	14.06%	11.25%	9.38%	8.65%	8.04%	7.50%	7.03%	6.62%	6.25%	5.92%
2	46.50	40.63	35.97	32.23	26.63	22.66	21.08	19.71	18.50	17.43	16.48	15.63	14.85
3	27.56	25.00	22.57	20.46	18.64	16.99	16.22	15.48	14.80	14.16	13.57	13.02	12.51
4	3.44	15.62	22.57	20.46	16.56	14.06	13.10	12.27	11.84	11.51	11.18	10.85	10.53
5			2.82	12.79	16.57	14.06	13.10	12.28	11.48	10.78	10.18	9.64	9.17
6					10.35	14.06	13.11	12.27	11.48	10.78	10.17	9.65	9.17
7						8.79	13.10	12.28	11.48	10.78	10.18	9.64	9.18
8							1.64	7.67	11.48	10.79	10.17	9.65	9.17
9									1.44	6.74	10.18	9.64	9.18
10											1.27	6.03	9.17
11													1.15

Year	Recovery periods in years												
	10	**10.5**	**11**	**11.5**	**12**	**12.5**	**13**	**13.5**	**14**	**15**	**16**	**16.5**	**17**
1	5.63%	5.36%	5.11%	4.89%	4.69%	4.50%	4.33%	4.17%	4.02%	3.75%	3.52%	3.41%	3.31%
2	14.16	13.52	12.94	12.41	11.91	11.46	11.04	10.65	10.28	9.63	9.05	8.78	8.53
3	12.03	11.59	11.18	10.79	10.43	10.08	9.77	9.46	9.18	8.66	8.20	7.98	7.78
4	10.23	9.93	9.65	9.38	9.12	8.88	8.64	8.41	8.20	7.80	7.43	7.26	7.09
5	8.75	8.51	8.33	8.16	7.98	7.81	7.64	7.48	7.32	7.02	6.73	6.60	6.47
6	8.75	8.34	7.97	7.63	7.33	7.05	6.79	6.65	6.54	6.31	6.10	6.00	5.90
7	8.75	8.34	7.97	7.63	7.33	7.05	6.79	6.55	6.31	5.90	5.55	5.45	5.38
8	8.74	8.34	7.97	7.63	7.33	7.05	6.79	6.54	6.31	5.90	5.55	5.38	5.23
9	8.75	8.34	7.97	7.63	7.33	7.05	6.79	6.55	6.32	5.91	5.55	5.39	5.23
10	8.74	8.34	7.97	7.63	7.32	7.05	6.79	6.54	6.31	5.90	5.55	5.38	5.23
11	5.47	8.35	7.96	7.63	7.33	7.05	6.79	6.55	6.32	5.91	5.55	5.39	5.23
12		1.04	4.98	7.64	7.32	7.04	6.80	6.54	6.31	5.90	5.55	5.38	5.23
13				0.95	4.58	7.05	6.79	6.55	6.32	5.91	5.55	5.39	5.22
14						0.88	4.25	6.54	6.31	5.90	5.55	5.38	5.23
15								0.82	3.95	5.91	5.55	5.39	5.22
16										3.69	5.55	5.38	5.23
17											3.47	5.39	5.22
18												0.67	3.27

These percentages incorporate the switch from declining balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, see *Convention in Year of Disposition* on Page 2-7.

MACRS Table 14: 150% Declining Balance—All Lives—Mid-Quarter Convention, Property Placed in Service 4th Quarter

For property placed in service after 1986

- *Regular tax depreciation for qualified Indian reservation property placed in service in 1994–2021 with a nine-year or 12-year recovery period.*
- *AMT depreciation for tangible personal property (three-year, five-year, seven-year and 10-year recovery period).*
  - *– For assets placed in service after 1998, use GDS recovery period.*
  - *– For assets placed in service before 1999, use ADS recovery period.*

Year	Recovery periods in years												
	2.5	**3**	**3.5**	**4**	**5**	**6**	**6.5**	**7**	**7.5**	**8**	**8.5**	**9**	**9.5**
1	7.50%	6.25%	5.36%	4.69%	3.75%	3.13%	2.88%	2.68%	2.50%	2.34%	2.21%	2.08%	1.97%
2	55.50	46.88	40.56	35.74	28.88	24.22	22.41	20.85	19.50	18.31	17.26	16.32	15.48
3	26.91	25.00	23.18	22.34	20.21	18.16	17.24	16.39	15.60	14.88	14.21	13.60	13.03
4	10.09	21.87	22.47	19.86	16.40	14.06	13.26	12.87	12.48	12.09	11.70	11.33	10.98
5			8.43	17.37	16.41	14.06	13.10	12.18	11.41	10.74	10.16	9.65	9.24
6					14.35	14.06	13.10	12.18	11.41	10.75	10.16	9.65	9.17
7						12.31	13.10	12.19	11.41	10.74	10.16	9.64	9.17
8							4.91	10.66	11.41	10.75	10.16	9.65	9.17
9									4.28	9.40	10.17	9.64	9.17
10											3.81	8.44	9.18
11													3.44

Year	Recovery periods in years												
	10	**10.5**	**11**	**11.5**	**12**	**12.5**	**13**	**13.5**	**14**	**15**	**16**	**16.5**	**17**
1	1.88%	1.79%	1.70%	1.63%	1.56%	1.50%	1.44%	1.39%	1.34%	1.25%	1.17%	1.14%	1.10%
2	14.72	14.03	13.40	12.83	12.31	11.82	11.37	10.96	10.57	9.88	9.27	8.99	8.73
3	12.51	12.03	11.58	11.16	10.77	10.40	10.06	9.74	9.44	8.89	8.40	8.17	7.96
4	10.63	10.31	10.00	9.70	9.42	9.15	8.90	8.66	8.43	8.00	7.61	7.43	7.25
5	9.04	8.83	8.63	8.44	8.24	8.06	7.87	7.69	7.52	7.20	6.90	6.75	6.61
6	8.72	8.32	7.95	7.63	7.33	7.09	6.96	6.84	6.72	6.48	6.25	6.14	6.03
7	8.72	8.31	7.96	7.63	7.33	7.05	6.78	6.53	6.31	5.90	5.66	5.58	5.50
8	8.72	8.32	7.95	7.62	7.33	7.05	6.78	6.53	6.31	5.90	5.54	5.38	5.22
9	8.72	8.31	7.96	7.63	7.33	7.05	6.78	6.53	6.31	5.90	5.54	5.38	5.23
10	8.71	8.32	7.95	7.62	7.32	7.05	6.78	6.54	6.31	5.91	5.54	5.38	5.22
11	7.63	8.31	7.96	7.63	7.33	7.05	6.78	6.53	6.31	5.90	5.54	5.38	5.23
12		3.12	6.96	7.62	7.32	7.04	6.78	6.54	6.30	5.91	5.55	5.38	5.22
13				2.86	6.41	7.05	6.78	6.53	6.31	5.90	5.54	5.38	5.23
14						2.64	5.94	6.54	6.30	5.91	5.55	5.38	5.22
15								2.45	5.52	5.90	5.54	5.37	5.23
16										5.17	5.55	5.38	5.22
17											4.85	5.37	5.23
18												2.02	4.57

These percentages incorporate the switch from declining balance (DB) to straight-line (SL) method when SL yields a larger deduction.

Note: For early disposition, see *Convention in Year of Disposition* on Page 2-7.

MACRS Table 20:
Straight-Line—40-Year—Mid-Month Convention

For property placed in service after 1986

- *Alternative Depreciation System for residential rental or nonresidential real property. For residential rental property placed in service (1) after 2017 or (2) before 2018 by an electing real property trade or business if the property was not subject to the ADS before 2018, use Table 30.*
- *AMT depreciation for residential rental or nonresidential real property placed in service before 1999.*
- *Can be elected for regular tax and AMT.*

Year	Month property placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	2.396%	2.188%	1.979%	1.771%	1.563%	1.354%	1.146%	0.938%	0.729%	0.521%	0.313%	0.104%
2–40	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500
41	0.104	0.312	0.521	0.729	0.937	1.146	1.354	1.562	1.771	1.979	2.187	2.396

Note: For early disposition, pro-rate the depreciation from this table for the number of months in service in the disposition year (using mid-month convention).

MACRS Table 21:
MACRS with 50% Special (Bonus) Depreciation—All Lives—Half-Year Convention

For qualified property placed in service, generally, in 2008–9/27/17
(see *Special Depreciation Percentages* on Page 2-15)

Year	200% declining balance				150% declining balance	
	3-year	5-year	7-year	10-year	15-year	20-year
1	66.665%	60.000%	57.145%	55.000%	52.500%	51.8750%
2	22.225	16.000	12.245	9.000	4.750	3.6095
3	7.405	9.600	8.745	7.200	4.275	3.3385
4	3.705	5.760	6.245	5.760	3.850	3.0885
5		5.760	4.465	4.610	3.465	2.8565
6		2.880	4.460	3.685	3.115	2.6425
7			4.465	3.275	2.950	2.4440
8			2.230	3.275	2.950	2.2610
9				3.280	2.955	2.2310
10				3.275	2.950	2.2305
11				1.640	2.955	2.2310
12					2.950	2.2305
13					2.955	2.2310
14					2.950	2.2305
15					2.955	2.2310
16					1.475	2.2305
17						2.2310
18						2.2305
19						2.2310
20						2.2305
21						1.1155

Note: For early disposition, multiply the depreciation obtained from these tables by ½.

MACRS Table 26:
Two-Year Qualified Indian Reservation Property,
200% Declining Balance—Half-Year and Mid-Quarter Conventions

For property placed in service in 1994–2021

Year	Half-Year Convention	Mid-Quarter Convention–Quarter in Which Acquired			
		1	2	3	4
1	50.00%	87.50%	62.50%	37.50%	12.50%
2	50.00	12.50	37.50	62.50	87.50

Note: See *Indian Reservation Property* on Page 2-5 for more information.

MACRS Table 27:
Four-Year Qualified Indian Reservation Property,
200% Declining Balance—Half-Year and Mid-Quarter Conventions

For property placed in service in 1994–2021

Year	Half-Year Convention	Mid-Quarter Convention–Quarter in Which Acquired			
		1	2	3	4
1	25.00%	43.75%	31.25%	18.75%	6.25%
2	37.50	28.13	34.37	40.63	46.87
3	18.75	14.06	17.19	20.31	23.44
4	12.50	12.50	12.50	12.50	12.50
5	6.25	1.56	4.69	7.81	10.94

Note: See *Indian Reservation Property* on Page 2-5 for more information.

MACRS Table 28:
Six-Year Qualified Indian Reservation Property,
200% Declining Balance—Half-Year and Mid-Quarter Conventions

For property placed in service in 1994–2021

Year	Half-Year Convention	Mid-Quarter Convention–Quarter in Which Acquired			
		1	2	3	4
1	16.67%	29.17%	20.83%	12.50%	4.17%
2	27.78	23.61	26.39	29.17	31.94
3	18.52	15.74	17.59	19.44	21.30
4	12.35	10.49	11.73	12.96	14.20
5	9.87	9.88	9.88	9.88	9.87
6	9.87	9.88	9.88	9.88	9.88
7	4.94	1.23	3.70	6.17	8.64

Note: See *Indian Reservation Property* on Page 2-5 for more information.

Note: Use *MACRS Table 1* to compute depreciation for qualified Indian reservation property with a three-year recovery period, and *MACRS Table 10–MACRS Table 14* to compute depreciation for qualified Indian reservation property with a nine-year or 12-year recovery period.

MACRS Table 29:
22-Year Qualified Indian Reservation Property, Straight Line—Mid-Month Convention

For property placed in service in 1994–2021

Year	Month Placed in Service											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
1	4.356%	3.977%	3.598%	3.220%	2.841%	2.462%	2.083%	1.705%	1.326%	0.947%	0.568%	0.189%
2–3	4.545	4.545	4.545	4.545	4.545	4.545	4.545	4.545	4.545	4.545	4.545	4.545
4	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
5	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
6	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
7	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
8	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
9	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
10	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545	4.546	4.546
11	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
12	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
13	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
14	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
15	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
16	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
17	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
18	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
19	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
20	4.546	4.546	4.546	4.546	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
21	4.545	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.545
22	4.546	4.546	4.546	4.545	4.545	4.546	4.546	4.545	4.545	4.546	4.546	4.546
23	0.189	0.568	0.947	1.326	1.705	2.083	2.462	2.841	3.220	3.598	3.977	4.356

Note: See *Indian Reservation Property* on Page 2-5 for more information.

MACRS Table 30:
Straight-Line—30-Year—Mid-Month Convention

For property placed in service, generally, after 2017

- *Alternative Depreciation System for residential rental property placed in service (1) after 2017 or (2) before 2018 by an electing real property trade or business if the property was not subject to the ADS before 2018.*
- *Can be elected for regular tax and AMT.*

Year	Month Placed in Service											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
1	3.204%	2.926%	2.649%	2.371%	2.093%	1.815%	1.528%	1.250%	0.972%	0.694%	0.417%	0.139%
2–30	3.333	3.333	3.333	3.333	3.333	3.333	3.333	3.333	3.333	3.333	3.333	3.333
31	0.139	0.417	0.694	0.972	1.250	1.528	1.815	2.093	2.371	2.649	2.926	3.204

Note: For early disposition, pro-rate the depreciation from this table for the number of months in service in the disposition year (using mid-month convention).
Source: Rev. Proc. 2019-8.

— End of Tab 4 —

furnished rent-free to employees were lodging facilities [*Union Pacific Corporation*, 91 TC 32 (1988)].

IRS Ruling. A motor home used by an employee for traveling to and lodging at temporary work locations was used predominantly for lodging when it was used at least as many days for lodging as for transportation (TAM 8546005).

Property used in the living quarters of a lodging facility (for example, beds and other furniture, refrigerators, ranges) is used predominantly to furnish lodging and is not eligible for the Section 179 deduction. Also, lobby furniture, office equipment, and laundry and swimming pool facilities are examples of property used in connection with furnishing lodging. Finally, property (for example, furniture) leased to a landlord who uses it to furnish (or in connection with furnishing) lodging is treated as used to furnish lodging (Rev. Rul. 81-133).

Exception. Some property, even though used in a facility where sleeping accommodations are provided, is not considered to be used predominantly to furnish lodging and thus may be eligible Section 179 property.

Property Not Used Predominantly to Furnish Lodging—Eligible for Section 179 Expensing Under Pre-2018 Rules	
IRC Sec. 50(b)(2)	
Exception	**Description**
Assets used in nonlodging commercial facilities	Facilities (for example, restaurants, drug stores, grocery stores, vending machines, and coin-operated washers and dryers) available equally to tenants and nontenants.
Assets used in hotel/motel	More than 50% of the establishment's living quarters are used during the year by transients (rental period normally less than 30 days).
Certified historic structure	The portion of the basis that is attributable to qualified rehabilitation expenditures.
Energy property	Certain equipment that uses solar energy or energy derived from a geothermal deposit to produce electricity that meets certain standards of performance and quality. See Pub. 946 for details.

Leased Property

For noncorporate taxpayers, property leased to others is not eligible for Section 179 expense, unless:

1) The taxpayer manufactures (or produces) the property to lease to others or
2) The taxpayer purchases the property to lease to others and both the following tests are met:
    - The term of the lease (including options to renew) is less than 50% of the property's class life.
    - For the first 12 months after the property is transferred to the lessee, the total business deductions on the property exceed 15% of the property's rental income.

Examples of Property Not Eligible for Section 179 Expense (2020)	
• Barns.	• Landscaping.
• Billboards (if not movable).	• Property used outside the U.S.
• Bridges.	• Roads.
• Buildings. *Exception:* Qualified real property.	• Shrubbery.
• Car washes.	• Sidewalks.
• Docks.	• Stables.
• Elevators.	• Swimming pools.
• Escalators.	• Trailers (nonmobile with wheels detached and permanent utilities).
• Fences (not used in farming business).	• Warehouses.
• Investment property.	• Wharves.
• Land.	
Note: This is not an exhaustive list.	

Qualified Real Property

Tax years beginning in 2010–2017. In addition to Section 179-eligible property as described at *Eligible Property* on Page 5-6, a Section 179 deduction of up to $250,000 (for tax years beginning in 2010–2015), $500,000 (for tax years beginning in 2016) or $510,000 (for tax years beginning in 2017) may be claimed for three categories of qualified real property costs [former IRC Sec. 179(f)]. These include [former IRC Sec. 168(e)(6), (7), and (8)]:

1) *Qualified leasehold improvement costs*, which are nonresidential building interior costs (excluding elevators, escalators, structural components benefiting a common area, building enlargement costs, and internal structural framework costs). The interior improvements must be placed in service more than three years after the date the building was initially placed in service, and the lease must not be between certain related parties.
2) *Qualified restaurant property*, which includes building and improvement costs, where more than 50% of the building's square footage is devoted to the preparation of meals and seating for on-premises consumption of those meals.
3) *Qualified retail improvement costs*, consisting of interior improvements to a nonresidential building that is open to the general public and used in a retail business of selling tangible personal property. Expenditures for elevators, escalators, structural components benefiting a common area, building enlargement costs and internal structural framework are ineligible, and the improvements must be placed in service more than three years after the date the building was first placed in service.

Tax years beginning after 2017. First effective for tax years beginning in 2018, the TCJA changed the definition of *qualified real property* (for which treatment as Section 179 property can be elected) by (1) substituting "qualified improvement property" (defined at *Qualified improvement property* on Page 5-8) for "qualified leasehold improvement property," "qualified retail improvement property" and "qualified restaurant property" as property included in the definition of *qualified real property* and (2) adding, as included property, roofs; heating, ventilation, and air-conditioning property (HVAC property); fire protection and alarm systems; and security systems (that meet the requirements described under *Certain structural components* on Page 5-9) [IRC Sec. 179(d)(1)(B)(ii) and (e)].

Except as discussed at *Restaurants* on Page 5-8, the above changes to the definition of qualified real property are greatly expansive of what property qualifies because (1) qualified improvement property includes property without regard to what business it is used in or whether the improved space is leased space; (2) qualified leasehold improvement property and qualified retail improvement property had to be placed in service at least three years after the building that they improve was placed in service; and (3) qualifying roofs, HVAC property, fire protection and alarm systems and security systems that are structural components of buildings are treated as qualified real property even if they are not qualified improvement property (see *Certain structural components* on Page 5-9).

Restaurants. The only way in which the TCJA definition of *qualified real property* is more restrictive than the definition under pre-TCJA law is in its exclusion of restaurant buildings and some restaurant improvements (building enlargements, elevators and escalators, and internal structural framework) that weren't excluded under the definition of *qualified restaurant property*.

Qualified improvement property. Following enactment of the TCJA, this is any improvement made by the taxpayer to an interior portion of a building that is nonresidential real property if the improvement is placed in service after the date the building was first placed in service, except for any improvement for which the expenditure is

Income Inclusion Rules

- If a passenger automobile (see *Passenger Automobiles* on Page 6-5 for definition) is leased for 30 days or more, an amount may have to be included in income for each tax year the vehicle is leased. For vehicles first leased in 2020, the income inclusion applies when the vehicle's FMV exceeds $50,000 (Rev. Proc. 2020-37). See the *Lease Income Inclusion Tables—Passenger Autos Leased in 2020–2018* on Page 6-13.
- The deductible portion of the lease payment is reduced by the amount of the income inclusion.
- For determining the lease income inclusion amount, the FMV of the leased vehicle is the capitalized cost of the auto, if that cost is specified in the lease agreement.
- The taxpayer may refer to a publication [such as a National Automobile Dealers Association (NADA) book or the Kelley Blue Book] or a website (such as **www.nadaguides.com**) to determine a FMV if the capitalized cost is not specified.
- Lease inclusion amounts are specified in the *Lease Income Inclusion Tables—Passenger Autos Leased in 2020–2018* on Page 6-13 and *Lease Income Inclusion Tables—Passenger Autos Leased in 2017 and 2016* on Page 6-14.
- The preceding year lease income inclusion amounts are used in the final year of the lease unless the lease begins and ends in the same tax year [Reg. 1.280F-7(a)(2)(i)].

Example: On January 16, 2020, Vicki leases a car for three years for use in her business. The car has a FMV of $61,250 on the first day of the lease term. Vicki uses the car for 65% business and 35% personal use. Each year, Vicki deducts as lease expense on her Schedule C the business-use percentage of the lease payments, reduced by the inclusion amounts shown below.

Tax Year	Inclusion Amount	Pro-ration	Business Use	Income Inclusion
2020	$ 26	350/366	65%	$ 16
2021	56	365/365	65	36
2022	84	365/365	65	55
2023[1]	84	15/365	65	2

[1] Preceding year's lease inclusion amount used in final year of the lease.

Observation: Using the standard mileage rate will avoid the lease income inclusion. However, this may not be beneficial since the lease payment (net of the lease income inclusion) plus actual expenses will often be greater than the standard mileage deduction.

Alternative Motor Vehicle Credit

For vehicles purchased from 2006–2021, the alternative motor vehicle credit is available for qualified fuel cell motor vehicles (IRC Sec. 30B).

Qualified fuel cell motor vehicle. These include, for example, vehicles that run on hydrogen power cells. Only new vehicles placed in service after 2005 and purchased before 2022 qualify for the credit.

The IRS will certify the credit amount for qualifying vehicles. Taxpayers can rely on this certification (Notice 2006-9).

Note: Taxpayers may rely on the manufacturer's (or, if a foreign manufacturer, its domestic distributor's) certification that a make, model, and model year of a vehicle qualifies for the credit, and the amount of the credit allowable for that vehicle (Notice 2008-33).

Observation: Credits were also available for the following vehicles placed in service before 2011 [IRC Sec. 30B(k)]:

- Qualified hybrid vehicles.
- Qualified alternative fuel motor vehicles and heavy hybrids.
- Advanced lean-burn technology vehicles.

Reporting

Form 8910 (Alternative Motor Vehicle Credit) is used to claim the alternative motor vehicle credit. The business/investment-use percentage of the credit is part of the general business credit.

The personal-use portion of the credit is transferred to Schedule 3, line 6 (2020 Form 1040). Check box c on that line and write "8910" in the space next to that box. This credit can offset both regular tax and AMT. Any part of the personal-use portion of the credit that can't be used in the current year is lost. It cannot be carried over to other years.

Recapture

The IRS has been instructed to issue regulations on the rules for recapturing the credits for vehicles that cease to qualify for the credits [IRC Sec. 30B(h)(8)], except that no recapture will be required if the vehicle ceases to qualify because it is converted to a qualified plug-in electric drive motor vehicle. As of the date of this publication, no regulations have been issued.

Credits for Plug-In Vehicles

Plug-In Electric Drive Motor Vehicle Credit

Taxpayers can claim a credit for each new qualifying vehicle purchased for use or for lease, but not for resale. The credit amount ranges from $2,500 to $7,500. The portion of the credit attributable to the vehicle's business-use percentage is treated as part of the taxpayer's general business credit. The remainder is a nonrefundable personal credit that can offset both regular tax and AMT (IRC Sec. 30D).

Qualifying vehicles. These are new four-wheeled plug-in electric vehicles manufactured primarily for use on public streets, roads, and highways that meet certain technical requirements and the original use of the vehicle began with the taxpayer.

However, the following do not qualify:

1) Vehicles manufactured primarily for off-road use (such as golf carts).
2) Vehicles weighing 14,000 pounds or more.
3) Low-speed vehicles.

Manufacturer's certification. The IRS will acknowledge a manufacturer's (or in the case of a foreign vehicle manufacturer, its domestic distributor's) certification that a vehicle meets the standards to qualify for the credit. Taxpayers may rely on such a certification (Notice 2009-89).

The credit begins to phase out for a manufacturer's vehicles when at least 200,000 qualifying vehicles manufactured by that manufacturer have been sold for use in the U.S. (determined cumulatively for sales after 2009). For General Motors, LLC and Tesla, Inc. the phaseout period began in 2019. For the latest information on the phase out amounts, see the IRS website at **www.irs.gov/businesses/irc-30d-new-qualified-plug-in-electric-drive-motor-vehicle-credit**.

Note: A vehicle is considered acquired on the date when title to that vehicle passes under state law (Notice 2009-89).

Reporting

The credit for plug-in electric drive motor vehicles is claimed on Form 8936. The portion of the credit attributable to business/investment use of the vehicle is part of the general business credit. The remainder is a personal nonrefundable credit that can offset regular tax and AMT. It is reported on Form 1040, Schedule 3, line 6 (check box c and write "8936" in the space next to that box). Any part of the personal-use portion of the credit that cannot be used is lost. It cannot be carried over to other years.

Line 4b of Form 8936 is used for GM and Tesla vehicles purchased after 2018 that are subject to the credit phaseout.

Vehicles Certified for the Plug-In Electric Drive Motor Vehicle Credit[1] (Vehicles Acquired After 2017)

Model Year	Vehicle Description	Credit
2018	Audi A3 e-tron	$ 4,502
2019	Audi e-tron SUV	7,500
2020	Audi A8L PHEV	6,712
2020	Audi e-tron Sportback	7,500
2020	AudiQ5 PHEV	6,712
2020	Bentley Bentayga Hybrid SUV	7,500
2018–2020	BMW i3 Sedan with Ranger Extender	7,500
2018–2020	BMW i3 Sedan	7,500
2018–2020	BMW i3s Sedan	7,500
2018–2020	BMW i3s Sedan with Ranger Extender	7,500
2019, 2020	BMW i8 Coupe	5,669
2019, 2020	BMW i8 Roadster	5,669
2020, 2021	BMW X3 xDrive30e	5,836
2018	BMW X5 xDrive 40e	4,668
2021	BMW X5 xDrive45e	7,500
2018	BMW 330e	4,001
2021	BMW 330e	5,836
2021	BMW 330e xDrive	5,836
2018, 2019	BMW 530e	4,668
2020, 2021	BMW 530e	5,836
2018, 2019	BMW 530e xDrive	4,668
2020, 2021	BMW 530e xDrive	5,836
2018, 2019	BMW 740e xDrive	4,668
2020, 2021	BMW 745e xDrive	5,836
2018–2020	Chrysler Pacifica PHEV	7,500
2020, 2021	Ferrari—SF90 Stradale	3,501
2018, 2019	Fiat 500e	7,500
2018	Ford Focus Electric	7,500
2018	Ford Fusion Energi	4,007
2019, 2020	Ford Fusion Energi	4,609
2020	Ford Lincoln Aviator Grand Touring	6,534
2020	Ford Escape Plug-in Hybrid	6,843
2018	GM Cadillac CT6 Plug-in[2]	7,500[2]
2018–2020	GM Chevrolet Bolt[2]	7,500[2]
2018, 2019	GM Chevrolet Volt[2]	7,500[2]
2018–2021	Honda Clarity Plug-in Hybrid	7,500
2018, 2019	Hyundai Sonata Plug-in Hybrid Electric Vehicle	4,919
2018–2020	Hyundai Ioniq Electric Battery Vehicle	7,500
2018–2020	Hyundai Ioniq Plug-in Hybrid Electric Vehicle	4,543
2019, 2020	Hyundai Kona Electric Vehicle	7,500
2019	Jaguar I-Pace (First Edition, HSE, SE, S models)	7,500
2020	Jaguar I-Pace (HSE, SE, S models)	7,500
2019–2021	Kandi EX3	7,500
2019, 2020	Kandi K22	7,500
2020, 2021	Kandi K23	7,500
2020, 2021	Kandi K27	7,500
2018–2020	Karma Revero	7,500
2018–2020	Kia Soul Electric	7,500
2018–2020	Kia Optima Plug-in Hybrid	4,919
2019, 2020	Kia Niro EV	7,500
2018–2020	Kia Niro Plug-in Hybrid	4,543
2019	Land Rover Range Rover PHEV (HSE)	7,087
2019	Land Rover Range Rover Sport PHEV (HSE)	7,087
2020	Land Rover Range Rover PHEV	6,295
2020	Land Rover Range Rover Sport PHEV	6,295
2018	Mercedes-Benz smart Cabrio EV	7,500
2018	Mercedes-Benz smart Coupe EV	7,500
2018	Mercedes-Benz C350e PHEV	3,501
2018, 2019	Mercedes GLC350e 4M PHEV	4,460
2018	Mercedes-Benz GLE550e 4m PHEV	4,460
2019	Mercedes-Benz smart EQ Fortwo Coupe	7,500
2019	Mercedes-Benz smart EQ Fortwo Cabrio	7,500
2020	Mercedes-Benz GLC 350e 4M EQ	6,462
2020	Mercedes-Benz S560e EQ PHEV	6,462
2018, 2019	MINI Cooper SE Countryman ALL4	4,001
2020, 2021	MINI Cooper SE Countryman ALL4	$ 5,002
2020	MINI Cooper SE Hardtop 2 Door	7,500
2021	MINI Cooper SE Hardtop	7,500
2018–2020	Mitsubishi Outlander PHEV	5,836
2018–2020	Nissan LEAF	7,500
2020	Polestar[1]	7,500
2021	Polestar[2]	7,500
2018	Porsche Panamera 4 PHEV (Six certified models—see IRS website)	6,670
2019, 2020	Porsche Panamera 4 PHEV (Six certified models—see IRS website)	6,712
2018	Porsche Cayenne S E-Hybrid	5,336
2019, 2020	Porsche Cayenne E-Hybrid	6,712
2020	Porsche Cayenne E-Hybrid Coupe	6,712
2020	Porsche Taycan 4S	7,500
2020	Porsche Taycan Turbo EV	7,500
2020	Porsche Taycan Turbo S EV	7,500
2019, 2020	Subaru Crosstek Hybrid	4,502
2018–2020	Tesla Model S	7,500[2]
2018–2020	Tesla Model X	7,500[2]
2018–2020	Tesla Model 3 Long Range	7,500[2]
2018–2020	Tesla Model 3 Mid Range	7,500[2]
2018–2020	Tesla Model 3 Long Range AWD and AWD Performance	7,500[2]
2020	Tesla Model 3 Standard Range	7,500[2]
2019, 2020	Tesla Model 3 Standard Range Plus	7,500[2]
2018–2021	Toyota Prius Prime Plug-in Hybrid	4,502
2021	Toyota RAV4 Prime Plug-in Hybrid	7,500
2018, 2019	Volkswagen e-Golf	7,500
2021	Volvo XC40 Recharge Pure Electric P8 AWD	7,500
2018, 2019	Volvo XC90, XC90 Excellence, XC60, and S90	5,002
2019	Volvo S60	5,002
2020, 2021	Volvo S60, S90, V60, XC60, and XC90	5,419

[1] Current as of publication date. Check IRS website for updates. Search for "Plug-in electric drive motor vehicle."

[2] For General Motors, LLC and Tesla, Inc., the phaseout period begins in 2019. For the latest on the phase out amounts, see the IRS website at **www.irs.gov/businesses/irc-30d-new-qualified-plug-in-electric-drive-motor-vehicle-credit**.

Two-Wheeled Electric Vehicles

The credit for two-wheeled plug-in electric vehicles is available for property placed in service before 2022 [IRC Sec. 30D(g)(3)(E)(ii)]. Among other criteria, the vehicle must be (1) capable of achieving a speed of 45 miles per hour or greater and (2) manufactured for use on public roads. The credit equals 10% of the vehicle's cost (limited to $2,500) [IRC Sec. 30D(g)].

Recapture

The IRS has been instructed to issue regulations on the rules for recapturing the credits for plug-in vehicles that cease to qualify for the credits [IRC Sec. 30D(f)(5)]. As of the date of this publication, no regulations have been issued.

Lease Income Inclusion Table—Electric Autos

IRC Sec. 280F(a)(1)(C), which directed the use of higher depreciation deduction limits for certain electric automobiles, was applicable only to property placed in service after 2001 and before 2007. Therefore, separate tables are no longer provided for electric automobiles. For electric automobiles placed in service in 2016–2020, taxpayers should use the *Lease Income Inclusion Tables—Passenger Autos Leased in 2020–2018* on Page 6-13 or the table for *Inclusion Amount–Cars* in the *Lease Income Inclusion Tables—Passenger Autos Leased in 2017 and 2016* on Page 6-14.

surfacing a road is generally depreciable. See *Road Building Costs* on Page 7-7 for analysis of specific costs.

Other Construction Costs

Impact fees. Impact fees (one-time charges to finance specific offsite capital improvements for general public use) paid by developers should be capitalized and added to the cost of newly constructed buildings, rather than considered a cost of the nondepreciable land (Rev. Rul. 2002-9).

Density variances. The cost of so-called *density variances* allowing development of larger buildings than would have otherwise been permitted is added to the basis of the depreciable buildings (*Maguire/Thomas Partners Fifth & Grand, Ltd.*, TC Memo 2005-34). The variances have a determinable useful life that is equal to the depreciable lives of the buildings because they would expire if the buildings were ever replaced. In other words, a new variance would have to be obtained if the original buildings were replaced.

Land and environmental surveys. These studies generally cover the entire property being developed, not just where the buildings and improvements will be placed. Surveys that help define the property (for example, boundary or mortgage surveys) are related to the land itself and are not depreciable.

Other surveys such as percolation tests and contamination studies are used to determine if a structure can properly be built on the site.

- If the survey will not necessarily need to be redone when the depreciable improvement is replaced, the cost of the survey is associated with the land and, therefore, is not depreciable.
- A survey that must be redone when the depreciable improvement is replaced is added to the basis of the improvement.

Exception: The existence of an ordinance requiring that the survey be redone does not mean that the improvement's replacement requires the survey to be replaced (Ltr. Rul. 200043016).

Energy Efficient Commercial Building Deduction

Taxpayers that own or lease commercial buildings may deduct, rather than capitalize and depreciate, all or part of the cost of qualifying energy efficient commercial building property (IRC Sec. 179D). The deduction is allowed for both new and existing buildings but only for qualifying property placed in service after 2005 ~~and before 2021~~.

Note: The Taxpayer Certainty and Disaster Tax Relief Act of 2020 made this provision permanent.

Qualifying Property

Energy efficient commercial building property is depreciable property that is:

- Installed on or in a building located in the U.S. that is not a (1) single-family house, (2) multi-family structure of three stories or fewer above grade, (3) mobile home, or (4) manufactured house.
- Part of the (1) interior lighting system, (2) heating, cooling, ventilation and hot water systems, or (3) building envelope. Building envelope includes insulation materials primarily designed to reduce heat loss or gain, exterior windows, skylights, exterior doors, and some metal roofs [IRC Sec. 25C(c)(3)].
- Certified that it will reduce or is part of a plan to reduce the overall energy costs of these systems by 50% or more.

Certification

Before claiming the deduction, the property must be certified as meeting the requirements by an unrelated, qualified and licensed engineer or contractor. Taxpayers must retain the certification in their tax records.

Deduction Amount

The maximum allowable deduction for any building is $1.80 per building square footage. This is an aggregate limit over all tax years so once it is reached, no further deductions for that building are allowed.

Example: Jack operates his sole proprietorship in a small office building he owns. Jack places in service $3,000 of qualified energy saving property in 2019 and $6,000 in 2020. The building has 3,000 square feet.

Jack's total deduction for the expenditures is limited to $5,400 (3,000 square feet × $1.80). Therefore, he deducts the full $3,000 spent in 2019 and $2,400 ($5,400 – $3,000) spent in 2020. The remaining 2020 costs of $3,600 ($6,000 – $2,400) must be capitalized and depreciated.

Partially qualifying property. Property that would otherwise qualify, except that it does not meet the 50% energy reduction test, is still eligible for a reduced deduction, limited to 60¢ times the building square footage [IRC Sec. 179D(d)].

Observation: The partial deduction is allowed for any energy-saving property installed in an eligible building system (interior lighting; heating, cooling, ventilation and hot water; or building envelope) if it meets the energy-saving target prescribed for that particular system, even if the overall 50% cost reduction is not achieved with regard to the building. See Notices 2006-52, 2008-40 and 2012-26 for the system-specific requirements for partially qualifying property.

Road Building Costs

Type of Cost	Treatment	Authority
Excavating, grading and removing soil to prepare a roadbed—road is intended to be permanent.	Generally added to the basis of nondepreciable land.	FSA 200021013
Excavating, grading and removing soil to prepare a roadbed—road is temporary.	If the road is temporary (will be used only for a determinable length of time), costs can be depreciated. Whether a road is temporary depends on the original intent, not on the road's physical condition. In the ruling, road built by loggers to harvest a specific tract of trees was temporary. Once the harvest was complete, road would be abandoned.	Rev. Rul. 88-99
Excavating, grading and removing soil to prepare a roadbed—road closely associated with a depreciable asset.	If a road is so closely tied to a depreciable asset that the road will be retired, abandoned or replaced contemporaneously with that asset, costs are depreciable. In the ruling, the roads were between buildings in an industrial complex.	Rev. Rul. 68-193, clarifying Rev. Rul. 65-265
Initial costs of surfacing the road (for example, applying gravel or paving).	Depreciable, regardless of whether the road is temporary or permanent, since the surface is subject to wear and tear (has an expected useful life).	Rev. Rul. 88-99
Costs of resurfacing the road.	Generally, expensed as repairs—see Tab 1.	*Toledo Home Federal Savings and Loan Ass'n.*, 9 AFTR 2d 1109 (DC OH 1962); *W.K. Coors*, 60 TC 368 (1973)
Building bridges and culverts.	Depreciable, regardless of whether the road is temporary or permanent.	Rev. Rul. 88-99

Reporting. C corporations, S corporations and partnerships claim the deduction on the "Other deductions" line of their respective returns. Presumably, individuals report the deduction on the "Other expenses" line of Schedule C, E, or F.

Basis reduction. If a deduction is allowed, the basis of the property is reduced by the amount of the deduction.

Recapture. The energy efficient commercial building deduction is subject to Section 1245 ordinary income recapture when the building or property is sold [IRC Sec. 1245(a)(2)(C)]. Thus, when the building is sold, gain to the extent of the deduction is taxed as ordinary income.

Public buildings. When qualified property is installed on or in property owned by a federal, state or local government, the related energy efficient commercial building deduction is allocated to the person primarily responsible for designing the property instead of the actual building owner (the tax-exempt governmental unit). Public buildings include those owned by public schools. See Notice 2008-40 for how this rule works.

Builders of Energy Efficient New Homes Credit

Contractors (including producers of manufactured homes) that build new energy efficient homes in the U.S. are eligible for a credit of $2,000 per dwelling unit (IRC Sec. 45L). The credit is reported on Form 8908 (Energy Efficient Home Credit). Partnerships and S corporations transfer the amount to Schedule K. All others carry it to Form 3800 (General Business Credit).

- To qualify, the dwelling unit must be certified to have annual energy consumption for heating and cooling that is at least 50% less than comparable units and meet certain other requirements.
- The credit can also apply to a substantial reconstruction and rehabilitation of an existing dwelling unit.
- A manufactured home that meets a 30% reduced energy consumption standard can generate a $1,000 credit.
- These credits only apply to homes sold by contractors for use as personal residences.
- The contractor's tax basis in the home is reduced by the amount of the credit.
- Construction must be substantially completed after August 8, 2005, and the home must be purchased after 2005 and before 2022.

Certification. The IRS issued guidance on the certification process that builders must complete to qualify for the credit. The notices also provide a public list of software programs that may be used in calculating energy consumption for obtaining a certification. See Notice 2008-35 for standard homes rules. Notice 2008-36 covers manufactured homes.

Nonbusiness Energy Property Credit

Taxpayers are allowed a nonrefundable credit equal to the sum of (1) 10% of the cost of qualified energy efficiency improvements and (2) the amount of residential energy property expenditures (up to certain limits). The credit is limited to $500 (of which only $200 may be used for windows) per taxpayer. This is a lifetime limit. The property must be new property, and it must be installed in or on the taxpayer's principal residence (including a manufactured home) in the U.S. The credit applies to property placed in service in 2006, 2007, and 2009–2021.

Qualified Energy Efficiency Improvements

These improvements are building envelope components, such as [IRC Sec. 25C(c)(3)]:

1) Insulation materials or systems designed to reduce the heat loss or gain of a dwelling unit;
2) Exterior doors and windows (including skylights); and
3) Metal or asphalt roofs installed on a dwelling unit (including manufactured homes), but only if they are designed to reduce the heat gain of such dwelling unit.

Residential Energy Property Expenditures

Expenditures must be for the following types of property (including labor costs for onsite preparation, assembly or original installation of the property) [IRC Sec. 25C(d)(2); Ltr. Rul. 201130003]:

1) Energy efficient building property (such as certain electric heat pumps, water heaters, biomass fuel stoves in tax years beginning before 2021, and central air conditioners) (up to $300);
2) A qualified natural gas, propane or oil furnace or hot water boiler (up to $150); or
3) An advanced main air circulating fan (up to $50).

Certification Requirements

Taxpayers must receive a proper certification from the manufacturer for property on which they plan to take the credit. Notices 2009-53 and 2013-70 provide that taxpayers may rely on the manufacturer's certification to claim the credit, except as specified therein.

Allocation of Costs

Costs eligible for the nonbusiness energy property credit (IRC Sec. 25C) and the *Residential Energy Efficient Property Credit* on Page 7-8 (IRC Sec. 25D) can be allocated according to the manufacturer's certification that a portion of the property is qualified energy property. Additionally, the IRS has agreed that labor costs related to the installation of the property can be similarly apportioned (Ltr. Rul. 201130003).

Residential Energy Efficient Property Credit

Individuals can claim a tax credit for residential energy efficient property placed in service in 2006–2023 (IRC Sec. 25D; Notice 2013-70).

Note: The Bipartisan Budget Act of 2018 (BBA) extended the availability of the credit for qualified fuel cell property, qualified small wind energy property and qualified geothermal heat pump property expenditures through December 31, 2021, with percentage rate decreases for property placed in service in 2020 and 2021. Previously, the Consolidated Appropriations Act, 2016, extended the availability of the credit for qualified solar water heating property and solar electric property expenditures to property placed in service through December 31, 2021. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 extended the credit through 2023 and added qualified biomass fuel property to the list for tax years beginning after 2020 [IRC Sec. 25D(a), (g), and (h)].

Residential Energy Efficient Property Credit	
Property Type	**Credit Amount**
Solar Water Heating	30% of cost (in tax years beginning before 2009, the credit was capped at $2,000)
Solar Electric	30% of cost (in tax years beginning before 2009, the credit was capped at $2,000)
Fuel Cells	30% of cost; max credit = $1,000 per kW of capacity
Small Wind Energy	30% of cost (in tax years beginning before 2009, the credit was capped at $4,000)
Geothermal Heat Pump	30% of cost (in tax years beginning before 2009, the credit was capped at $2,000)
Note: For property placed in service through 2023. The applicable percentage for 2017–2019 is 30%, 26% in 2020–2022, and 22% in 2023.	

The election out is made by reporting the entire gain in the sale year on the appropriate form (for example, Form 4797 or Form 8949). Once made, the election cannot be revoked without IRS approval.

Strategy: It may be beneficial for the seller to elect out of the installment method and report the entire gain in the year of sale if:

- Seller has expiring carryovers (NOL, charitable contribution or business credit carryovers) that can shelter the gain.
- Seller has a tax loss or little taxable income so that tax on the gain would be paid at a relatively low rate.
- Installment gain relates to a passive activity with suspended losses that equal or exceed the gain. (An installment sale of an entire interest in a passive activity with suspended losses requires the suspended loss to be recognized ratably as the installment gain is recognized.)

- Seller anticipates tax law changes that will result in additional tax if gain is deferred to future tax years.

Borrower's Property Is Foreclosed or Repossessed

When a borrower (buyer) fails to make payments on a loan secured by property acquired, the lender (seller) may foreclose on the loan or repossess the property. The foreclosure or repossession is treated as a sale or exchange from which the borrower may realize gain or loss. This is true even if the property is voluntarily returned to the lender.

A borrower's gain or loss from a foreclosure or repossession is computed and reported the same way as gain or loss from a sale or exchange. The gain or loss is the difference between the adjusted basis in the transferred property and the amount realized.

Cancellation of Debt (COD) Income

A borrower who is personally liable on the debt has COD income when the debt is satisfied by foreclosure or repossession and the FMV of the property transferred is less than the loan balance. This income is separate from any gain or loss realized from the foreclosure or repossession.

Individuals report COD income related to a business or rental activity as business income on Schedule C or rental income on Schedule E. COD income from cancellation of a nonbusiness debt is other income reported on 2020 Form 1040, Schedule 1 line 8.

Corporations report COD income as "Other income" on page one of their returns (on Form 8825 if the cancelled debt pertains to property used in a rental real estate operation by an S corporation). Because the treatment of COD is determined at the partner level, partnerships report COD income as a separately stated item on Form 1065, Schedule K-1 [box 11, Other income (loss), code E].

Exceptions. Income from cancellation of debt is not taxed if any of the following conditions apply [IRC Sec. 108(a)(1)]:

- The cancellation is intended as a gift.
- The debt is qualified farm debt (see Pub. 225).
- The debt is qualified real property business debt (see Pub. 334).
- The borrower is insolvent or bankrupt (see Pub. 908).
- The debt is qualified principal residence indebtedness discharged before 2026 (defined later).

Court Case: The taxpayer was a general partner in a partnership and personally guaranteed some of the partnership's debts. The partnership filed Chapter 11 bankruptcy which was approved and released the partners from all liability related to the partnership. The taxpayer did not include the cancellation of debt income (COD income) allocated to him by the partnership on his tax return for the year of discharge. The IRS sent the taxpayer a notice of deficiency. The Tax Court held that the taxpayer could exclude his COD income because the partnership debt was discharged in Chapter 11 bankruptcy. The IRS disagrees with the Tax Court's ruling, as discussed below (*Gracia, Jose,* TC Memo 2004-147).

Caution: In 2015, the IRS announced its nonacquiesence in the Gracia case as well as three related Tax Court cases, each of which held that a partner's exclusion of partnership debt cancellation income was appropriate. In each of these cases, the partner guaranteed the partnership's debt and was not in bankruptcy in his individual capacity. The partnership, not the partners, filed for bankruptcy, and none of the partners met the Bankruptcy Code's definition of a debtor. According to the IRS, the Tax Court's rulings were inconsistent with the structure of IRC Sec. 108 and Congressional intent, which applies only to partners who are debtors in bankruptcy. Therefore, in all of these cases, the IRS has now concluded that none of the partners should have been entitled to exclude his share of the partnership cancellation of debt income (AOD 2015-001).

Borrower's Tax Treatment—Foreclosure or Repossession

	Property Secured by	
	Nonrecourse Debt	**Recourse Debt**
Description of Debt	Borrower is not personally liable to repay the debt even if the value of the property used to satisfy the debt is less than the outstanding debt.	Borrower is personally liable to pay any amount of the debt not covered by the property's value.
Reporting by Lender	Box 5 on Form 1099-A (Acquisition or Abandonment of Secured Property) is not checked.	Box 5 on Form 1099-A is checked.
Amount realized for borrower's gain or loss on transaction	Full amount of debt canceled by the transfer of property.	Smaller of the debt canceled or the FMV of the transferred property.
Borrower's cancellation of debt (COD) income	None.	COD (ordinary) income if the loan balance exceeds property's FMV.[1]

[1] **Note:** The borrower may be able to exclude the income in certain situations. See *Cancellation of Debt (COD) Income* on Page 8-13.

Example: Chris bought a new car for $15,000. Chris is not personally liable for the loan (nonrecourse), but pledges the new car as security. The lender repossessed the car because he stopped making loan payments. The balance due on Chris' loan was $10,000. The car's FMV when it was repossessed was $9,000. The amount Chris realized on the repossession is $10,000. That is the debt canceled by the repossession, even though the car's FMV is less than $10,000. Chris figures his gain or loss on the repossession by comparing the amount realized ($10,000) with his adjusted basis ($15,000). He has a $5,000 nondeductible loss. Because the loan was nonrecourse, he recognizes no income for the cancellation of debt.

Variation: Now assume Chris was personally liable for the car loan (recourse debt) and that, after repossessing the car, the lender wrote off the remaining debt. In this case, the amount he realizes on the repossession is $9,000. This is the canceled debt ($10,000) up to the car's FMV ($9,000). Chris figures his gain or loss on the repossession by comparing the amount realized ($9,000) with his adjusted basis ($15,000). He has a $6,000 nondeductible loss. He also recognizes ordinary income from cancellation of debt of $1,000 ($10,000 debt cancelled – $9,000 property FMV). This is the part of the canceled debt not included in the amount realized.

Foreclosures and Repossessions Worksheet	
Part 1. Income from cancellation of debt. **Note:** If the taxpayer is not personally liable for the debt, there is no income from debt cancellation. Skip Part 1 and go to Part 2.	
1) Enter the amount of debt canceled by the transfer of property	1) $
2) Enter the FMV of the transferred property	2) ( )
3) Income from cancellation of debt.[1] Subtract line 2 from line 1. If less than zero, enter -0-	3) $
Part 2. Gain or loss from foreclosure or repossession.	
4) Enter the smaller of line 1 or line 2. Also include any proceeds received from the foreclosure sale. (If the taxpayer is not personally liable for the debt, enter the amount of debt canceled by the transfer of property.)	4) $
5) Enter the adjusted basis of the transferred property	5) ( )
6) Gain or loss from foreclosure or repossession. Subtract line 5 from line 4	6) $

[1] This income may not be taxable. See *Cancellation of Debt (COD) Income* on Page 8-13.

Qualified Principal Residence Indebtedness

The exclusion of COD income from taxable gross income is available for qualified principal residence indebtedness discharged after 2006 and before 2026 [IRC Sec. 108(a)(1)(E)]. The exclusion also applies to certain discharges after 2025 if the indebtedness is discharged subject to an arrangement that is entered into and evidenced in writing before 2026 [IRC Sec. 108(a)(1)(E)]. The exclusion is limited to $2 million ($1 million for married filing separately) through 2020 [$750,000 ($375,000 for MFS) after 2020] [IRC Sec. 108(h)(2)]. Qualified principal residence indebtedness is debt that is incurred in the acquisition, construction or substantial improvement of a taxpayer's principal residence and that is secured by that residence. The principal residence is the taxpayer's main home where the taxpayer lives most of the time; the taxpayer can only have one main home at any one time. It does not include home equity loans used for other purposes or vacation home mortgages. See IRS Pub. 4681 for details.

Note: The income exclusion includes debt modifications to certain loans under the Federal Housing Finance Agency's (FHFA's) Principal Reduction Modification Program (PRMP) and the Home Affordable Modification Program (HAMP) that were initiated before 2017, even though a permanent modification was entered into after 2016 (Notice 2016-72).

The amount excluded from gross income reduces (but not below zero) the basis of the taxpayer's principal residence. The exclusion from income for qualified principal residence indebtedness is reported on Form 982 [Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)].

Repossessing Personal Property

Taxpayers who finance the sale of personal property and later repossess that property generally will have a gain or loss on the repossession. They may also have a bad debt expense if the gain was not reported on the installment method.

The repossession rules apply whether or not title to the property was ever transferred to the buyer. Also, there is no difference if the seller repossesses the property or the buyer voluntarily surrenders it. However, it is not a repossession if the buyer puts the property up for sale and the seller repurchases it.

For the repossession rules to apply, the repossession must at least partially discharge (satisfy) the buyer's installment obligation to the seller. The discharged obligation must be secured by the repossessed property.

The seller/lender's gain or loss on the repossession of personal property is determined by subtracting the basis of the installment obligation (plus any repossession expenses) from the property's FMV plus the FMV of any other assets received in the transaction.

Lender's Tax Treatment—Foreclosure or Repossession of Personal Property

	Original Sale Reported	
	Installment method not used	**Installment method used**
Basis in debt obligation[1]	Debt's full face value (or its FMV at the time of the original sale if FMV used to compute gain or loss in the year of sale) less all principal payments received.	Unpaid balance of debt multiplied by one minus the gross profit percentage on the sale.
Gain or loss	FMV of the repossessed property less: • Basis in the debt obligation and • Any repossession costs. If a gain, it is all ordinary income. If a loss, see *Bad debt* on Page 8-14.	FMV of the repossessed property less: • Basis in the debt obligation and • Any repossession costs. Character (capital or ordinary) of the gain or loss on repossession is same as on the original sale.
Bad debt	If FMV of the repossessed property is less than the sum of debt basis plus repossession costs, taxpayer deducts a bad debt [2]	N/A
Basis in repossessed property	FMV at date of repossession.	FMV at date of repossession.

[1] If only part of the debt is discharged by the repossession, consider only the basis of the part discharged.
[2] Either business or nonbusiness, depending on the property originally sold.

Repossession of Personal Property Worksheet (Original Sale Reported on Installment Method)

1) FMV of the repossessed property	1) $
2) Unpaid balance of the debt obligation	2)
3) Gross profit percentage for the installment sale	3) %
4) Unrealized profit. Multiply line 2 by line 3	4) $
5) Basis in the debt. Subtract line 4 from line 2	5) $
6) Costs of repossessing the property	6)
7) Add lines 5 and 6	7) $
8) Gain or loss on repossession. Subtract line 7 from line 1	8) $

Example: Courtney sold her violin for $1,500 [$300 down and $100 a month for 12 months (plus interest)]. Her gross profit percentage is 40%. She reported the sale on the installment method. After the fourth monthly payment, the buyer defaulted on the note (which had an unpaid balance of $800), and Courtney repossessed the violin. Its FMV on the date of repossession was $1,400. The legal costs of repossession were $75. Courtney's gain on the repossession is as follows:

FMV of repossessed property	$ 1,400
Unpaid note balance	800
Gross profit percentage	× 40%
Unrealized profit	$ 320
Basis in installment note ($800 – $320)	$ 480
Repossession costs	75
Total basis and costs ($480 + $75)	$ 555
Gain ($1,400 – $555)	$ 845

Qualified Opportunity Funds

Qualified Opportunity Zones (QOZs), created by the TCJA, offer unique planning opportunities for taxpayers with gains to defer. A QOZ is a designated low-income community, nominated by a state or U.S. possession and certified by the Treasury Department as qualifying for this program, that meets the requirements of IRC Sec. 1400Z-1. For a list of QOZs, see **www.cdfifund.gov/pages/opportunity-zones.aspx.**

The two major tax benefits of QOZs are the ability for eligible taxpayers to:

1) Temporarily defer capital gain from the sale of property if such gain is reinvested in a Qualified Opportunity Fund (QOF), and
2) Permanently exclude from income post-acquisition capital gain on the disposition of QOF investments held for 10 years.

An *eligible taxpayer* is any taxpayer that may recognize gains for federal income tax purposes. This includes individuals; C corporations, including regulated investment companies (RICs) and real estate investment trusts (REITs); partnerships; S corporations; trusts; and estates [Reg. 1.1400Z2(a)-1(b)(13)].

IRS Guidance

Final regulations found in TD 9889, which generally apply to tax years beginning after March 13, 2020, provide guidance under IRC Sec. 1400Z-2 on investing in QOFs. For the portion of a taxpayer's first tax year ending after December 21, 2017 that began on December 22, 2017, and for tax years beginning after December 21, 2017 and on or before March 13, 2020, the taxpayer can either (1) rely upon the following proposed regulations found in REG-115420-18 and REG-120186-18: Prop. Reg. 1.1400Z2(a)-1 through 1.1400Z2(g)-1, except for Prop. Reg. 1.1400Z2(c)-1, if relied upon in a consistent manner for all such tax years, or (2) apply the final regulations found in TD 9889, if applied in a consistent manner for all such tax years. The proposed regulations can also generally be relied upon for earlier periods.

Note: The IRS has issued a series of frequently asked questions (FAQs) on QOZs and QOFs. Go to **www.irs.gov** and type "opportunity zones frequently asked questions" in the search box.

Temporary Deferral Election

An eligible taxpayer that sells property to an unrelated person can elect to defer the portion of the capital gain reinvested in a QOF within 180 days [IRC Sec. 1400Z-2(a)(1)]. A QOF is any investment vehicle that [IRC Sec. 1400Z-2(d)]:

1) Is organized as a corporation or partnership for investing in QOZ property, and
2) Holds at least 90% of its assets in QOZ property.

In general, QOZ property includes the following:

- *QOZ stock.* This is stock acquired by the QOF after 2017, at its original issue from a domestic corporation solely for cash. At the time the stock is issued, substantially all (defined as 70%) of the tangible property owned or leased by the corporation must be QOZ business property [Reg. 1.1400Z2(d)-1(c)(2) and (d)(2)]. The corporation must satisfy these requirements during substantially all of the QOF's holding period in the stock [IRC Sec. 1400Z-2(d)(2)(B)(i)(III)].
- *QOZ partnership interests.* These are capital or profits interests issued by a domestic partnership for cash after 2017. The QOZ stock requirements also apply to QOZ partnership interests.
- *QOZ business property.* This is tangible property used in a trade or business if (1) the property is purchased by the QOF after December 31, 2017; (2)(a) the original use of the property in the QOZ starts with the QOF or (b) the QOF substantially improves (defined as improved by expenditures equal to more than 100% of the cost of the property) the property in any 30-month period following the property's purchase [Reg. 1.1400Z2(d)-2(b)(2)]; and (3) during the QOF's holding period, substantially all of the use of the property is in a QOZ.

COVID-19 Tax Alert: In Notice 2021-10, the IRS provided tax relief to QOFs and eligible taxpayers in response to the COVID-19 pandemic. If a taxpayer's 180th day to invest in a QOF falls on or after April 1, 2020 and before March 31, 2021, the taxpayer has until March 31, 2021 to invest eligible gain in a QOF. This relief is automatic. Also, the period between April 1, 2020 and March 31, 2021 is suspended for purposes of the 30-month period during which property may be substantially improved. In addition, a QOF's failure to hold at least 90% of its assets in QOZ property on any semiannual testing date from April 1, 2020 through June 30, 2021 is automatically deemed due to reasonable cause under IRC Sec. 1400Z-2(f)(3) and such failure does not prevent qualification of an entity as a QOF or an investment in a QOF from being a qualifying investment.

Observation: QOFs can be used to defer gains on non-real property that can no longer be deferred using like-kind exchanges.

Gain excluded under the temporary deferral election is included in income in the tax year that includes the earlier of the date on which the investment in the QOF is sold or exchanged or December 31, 2026 [IRC Sec. 1400Z-2(b)(1)]. The lesser of the amount of gain excluded under the election or the fair market value (FMV) of the investment at the earlier of the date sold or December 31, 2026 is included in income. Tax basis in the investment is subtracted from that amount [IRC Sec.1400Z-2(b)(2)(A)].

Tax basis in the investment is generally zero [IRC Sec. 1400Z-2(b)(2)(B)(i)]. However, if the investment is held for at least five years, its basis is increased by an amount equal to 10% of the gain temporarily deferred. If the investment is held for at least seven years, basis is increased by an additional 5% of the gain deferred. This results in a 15% total increase in tax basis. Basis is also increased by the amount of gain recognized when the temporary deferral period ends. If the investment is held until December 31, 2026, basis increases by the amount of gain recognized at December 31, 2026.

Permanent Exclusion Election

If a QOF investment is held for at least 10 years, a permanent election can be made to exclude from income post-acquisition capital gains on the disposition of the investment. This is accomplished by increasing the investment's basis to its FMV on the date the investment is sold or exchanged [IRC Sec. 1400Z-2(c)].

Observation: The permanent exclusion election relates solely to any gain based on the actual increase in FMV of the QOZ property, not the deferred gain initially reinvested in the QOZ property. The deferred gain will only have the partial exclusion from the increase in basis if held over five or seven years.

—End of Tab 8—

Exchanging Property

Tab 9 Topics

Like-Kind Exchanges .... Page 9-1
Held for Business or Investment Use..................... Page 9-3
What Is Like-Kind Property? .... Page 9-4
Recognizing Gain on an Exchange........................ Page 9-5
Basis and Holding Period of Property Received .... Page 9-6
Depreciating Property After a Like-Kind Exchange... Page 9-6
Exchanging Property Subject to Debt.................... Page 9-9
Deferred Exchanges .... Page 9-10
Qualified Intermediaries....................................... Page 9-12
Multi-Party Exchanges .... Page 9-13
Reverse Like-Kind Exchanges............................. Page 9-13
Like-Kind Exchange Example .... Page 9-13
Involuntary Conversions .... Page 9-13
Condemned Real Estate...................................... Page 9-15
Exchanging Life Insurance and Annuity Contracts .... Page 9-15
Filled-In Form 8824 Example 1............................ Page 9-17
Filled-In Form 8824 Example 2............................ Page 9-19

Like-Kind Exchanges

Under the Tax Cuts and Jobs Act (TCJA), exchanges of personal and intangible property no longer qualify as tax-free exchanges after December 31, 2017. Like-kind exchanges are now limited to exchanges of real property not held primarily for sale. IRC Sec.1031 no longer applies to any exchange of real property held primarily for sale. Therefore, exchanges of machinery, equipment, vehicles, patents, and other intellectual property, artwork, collectibles, and other intangible business assets do not qualify for nonrecognition of gain or loss as like-kind exchanges. If one piece of the exchange (either the disposition or the receipt of exchange property) occurred before January 1, 2018, then the pre-TCJA rules will apply [Sec. 13303(c)(2) of the TCJA].

Observation: An investment in Qualified Opportunity Funds (QOFs) can be used to defer gains on non-real property that can no longer be deferred using like-kind exchanges (see *Qualified Opportunity Funds* on Page 8-18).

No gain or loss is recognized when property is exchanged for other property if all the following requirements are met: (IRC Sec. 1031)

- Both the property given up and the property received are held for productive use in a trade or business or for investment (see *Held for Business or Investment Use* on Page 9-3).
- The property is not ineligible (see *Ineligible Property* on Page 9-2).
- The exchanged properties are of a like-kind (see *What Is Like-Kind Property?* on Page 9-4).
- If not received immediately, the property to be received must be identified in a written agreement within 45 days after the transferred property is surrendered. See *Deferred Exchanges* on Page 9-10 for more on exchanges where the properties are not exchanged simultaneously.
- If not received immediately, the property must be received on or before the earlier of:
  - 180 days after the transfer of the property given up or
  - The due date (including extensions) for the tax return year in which the transfer of the property given up occurs.

If the tests for a like-kind exchange are met, any unrecognized gain (or loss) decreases (increases, if a loss) the basis in the property received in the exchange. So, the gain or loss is deferred until that property is sold.

An exchange can meet all the requirements for a like-kind exchange for one of the parties to the exchange, but not the other (for example, one of the parties uses the property for personal use) (Rev. Rul. 75-292). Whether the other party to the exchange qualifies for Section 1031 treatment is irrelevant.

If the like-kind exchange involves the receipt of money or unlike property or the assumption of liabilities, some gain may be recognized. See *Recognizing Gain on an Exchange* on Page 9-5.

Strategy: Because Section 1031 treatment is mandatory if all the requirements are met, a taxpayer who wants to recognize a realized gain or loss must structure the transaction so that it will fail to qualify as a like-kind exchange.

Real Property Defined

On June 12, 2020, the IRS issued proposed regulations that add a definition of *real property* for the purposes of Section 1031 like-kind exchanges and provide a rule addressing a taxpayer's receipt of personal property, in a deferred exchange, that is incidental to real property the taxpayer receives in an otherwise tax-free like-kind exchange [Prop. Regs. 1.1031(a)-3 and 1.1031(k)-1(g)(7)]. These rules are proposed to apply to exchanges of real property beginning on or after the effective date of the final regulations. However, a taxpayer may rely on the proposed regulations, if followed consistently and in their entirety, for exchanges of real property beginning after 2017 and before the final regulations are published. Final regulations were released (TD 9935), which generally apply to exchanges beginning after December 2, 2020.

Definition of real property. The proposed regulations, prior to December 2, 2020, define *real property* as land and improvements to land, unsevered natural products of land (including growing crops, plants, and timber; mines; wells; and other natural deposits) and water and air space superjacent to (lying above or on) land. Improvements to land means inherently permanent structures and the structural components of inherently permanent structures. An inherently permanent structure is any building or other structure that is a distinct asset and is permanently affixed to real property and that will ordinarily remain affixed for an indefinite period of time [Prop. Reg. 1.1031(a)-3(a)]. See *Other Inherently Permanent Structures* on Page 9-2. Buildings include the following distinct assets if permanently affixed: houses, apartments, hotels, motels, enclosed stadiums and arenas, enclosed shopping malls, factories and office buildings, warehouses, barns, enclosed garages, enclosed transportation stations and terminals, and stores [Prop. Reg. 1.1031(a)-3(a)(2)(ii)(B)].

Other Inherently Permanent Structures

Other inherently permanent structures include the following distinct assets if permanently affixed. Distinct assets may be affixed to real property by weight alone [Prop. Reg. 1.1031(a)-3(a)(2)(ii)(C)].

- Advertising displays[1]
- Bridges
- Derricks
- Enclosed transportation stations and terminals
- Fences
- Grain storage bins and silos
- In-ground swimming pools
- Offshore drilling platforms
- Oil and gas pipelines
- Oil and gas storage tanks
- Outdoor lighting facilities (if inherently permanent)
- Paved parking areas and parking facilities, and other pavements
- Power generation and transmission facilities
- Railroad tracks and signals
- Roads
- Special foundations
- Stationary wharves and docks
- Telecommunications cables (if permanently installed)
- Telephone poles
- Transmission towers: Microwave, Broadcasting, Cell, Electric
- Tunnels

[1] Includes inherently permanent advertising displays for which an election under IRC Sec. 1033(g)(3), to treat the displays as real property, is in effect.

If a distinct asset is not listed in the proposed regulations as an inherently permanent structure, then the determination of whether the property is an inherently permanent structure is based on the following factors [Prop. Reg. 1.1031(a)-3(a)(2)(ii)(C)]:

1) The manner in which the distinct asset is affixed to real property,
2) Whether the distinct asset is designed to be removed or to remain in place,
3) The damage that removal of the distinct asset would cause to the item itself or to the real property to which it is affixed,
4) Any circumstances that suggest the distinct asset was not affixed for an indefinite period, and
5) The time and expense required to move the distinct asset.

Property that is in the nature of machinery or is essentially an item of machinery or equipment is generally not an inherently permanent structure and not real property under IRC 1031. In the case of a building or inherently permanent structure that includes property in the nature of machinery as a structural component, the machinery is real property if it serves the inherently permanent structure and does not produce or contribute to the production of income other than for the use or occupancy of space [Prop. Reg. 1.1031(a)-3(a)(2)(ii)(D)].

Incidental Personal Property

The proposed regulations, effective prior to December 2, 2020, provide that incidental personal property received in a deferred exchange (see *Deferred Exchanges* on Page 9-10) is disregarded in determining whether a taxpayer's rights to receive, pledge, borrow, or otherwise obtain the benefits of money or other property held by a qualified intermediary are expressly limited [Prop. Reg. 1.1031(k)-1(g)(7)(iii)].

Personal property is incidental to real property acquired in a deferred exchange (for example, personal property in an office building) if, in standard commercial transactions, the personal property is typically transferred together with the real property, and the aggregate fair market value (FMV) of the incidental personal property transferred with the real property does not exceed 15% of the aggregate (FMV) of the replacement real property. The final regulations clarify that the 15% limitation is calculated by comparing the value of all of the incidental properties to the value of all of the replacement real properties acquired in the same exchange [~~Prop.~~ Reg. 1.1031(k)-1(g)(7)(iii) applying to exchanges beginning after December 2, 2020].

Example: In 2020, Betty transfers to Carol real property with a (FMV) of $1,100,000 and an adjusted basis of $400,000. Betty's replacement property is an office building and, as a part of the exchange, Betty also will acquire certain office furniture in the building that is not real property, which is industry practice in a transaction of this type. The (FMV) of the real property Betty will acquire is $1,000,000 and the (FMV) of the personal property is $100,000.

The (FMV) of the personal property Betty will acquire does not exceed 15% of the (FMV) of the office building received. Therefore, the personal property is incidental to the real property in the exchange and is disregarded in determining whether the taxpayer's rights to receive, pledge, borrow, or otherwise obtain the benefits of money or other property are expressly limited. Upon receipt of the personal property, Betty recognizes gain of $100,000 under IRC Sec. 1031(b), the lesser of the realized gain on the disposition of the relinquished property, $700,000 ($1,100,000 – $400,000), and the fair market value of the non-like-kind property Betty acquired in the exchange, $100,000.

Ineligible Property

The following property never qualifies for a like-kind exchange:

- Personal-use property (see *Homes Used By the Taxpayer* on Page 9-3).
- Inventory (property held primarily for sale).
- Partnership interests.
- Stocks and bonds.
- Personal.
- Intangible.

Exchange Expenses

Exchange expenses typically include broker commissions, attorney fees, and deed preparation fees. These expenses reduce the gain realized in a like-kind exchange (see *Recognizing Gain on an Exchange* on Page 9-5) or increase the basis of like-kind property received in the exchange. The expenses are included on line 15 and/or line 18 of Form 8824.

Reporting Requirements

Taxpayers who engage in like-kind (Section 1031) exchanges of investment or business property must file Form 8824 (Like-Kind Exchanges). Taxpayers participating in multiple exchanges during the year can file a summary Form 8824 and attach a summary statement showing all the information requested on the Form 8824 for each exchange. Section 1031 exchanges should be reported even when no gain is recognized. Any recognized gain on the exchange from Form 8824 is then reported on Schedule D (for capital assets) or Form 4797 (for business property and other noncapital assets), as applicable, unless the installment method applies (see *Installment Sales* on Page 8-9). If a single exchange involves multiple properties, the details of the exchange should be reported on a statement attached to Form 8824.

Caution: Form 8824 must also be filed for the two years following the year of a related party exchange. Part II (Related Party Exchange Information) must be completed.

Related Taxpayers

If related taxpayers exchange properties and either party disposes of the exchanged property before the date that is two years after the last transfer that was part of the exchange, gain or loss originally deferred under the like-kind exchange rules is recognized in the year the disqualifying disposition occurs [IRC Sec. 1031(f)].

Caution: Any losses between related parties are generally not deductible (IRC Sec. 267).

A related person generally includes family members (spouse, including a same-sex spouse, sibling, parent, child, etc.), more

What's New and Glossary

Tab 13 Topics

CARES Act.......... Page 13-1
Tax Legislation History.......... Page 13-1
Taxpayer Certainty and Disaster Tax Relief Act of 2019 Changes Impacting This Handbook ...... Page 13-1
Selected Expired and Repealed Provisions Affecting Business Assets .... Page 13-2
Glossary.......... Page 13-3

CARES Act

In a technical correction to the TCJA, effective for property placed in service after December 31, 2017, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) specifically designates qualified improvement property (QIP) as 15-year recovery property for GDS purposes (20-year for ADS) [IRC Sec. 168(e)(3)(E)(vii)]. Thus, QIP placed in service after 2017 can qualify for bonus depreciation. See *CARES Act fix for qualified improvement property* on Page 2-16.

Consolidated Appropriations Act (CAA), 2021

The CAA, 2021, which includes new relief payments to individuals, another round of Paycheck Protection Program (PPP) funding, changes to the deductibility of expenses for PPP recipients, and numerous tax extenders, was signed into law on December 27, 2020. Tax and economic relief provisions are included in some of the acts that make up the CAA, 2021—COVID-related Tax Relief Act of 2020 (COVIDTRA); Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act); Taxpayer Certainty and Disaster Tax Relief Act of 2020 (TCDTRA); and Continued Assistance for Unemployed Workers Act of 2020.

Quickfinder tax act summaries. See the *Handbook Updates* section of the Quickfinder website (**tax.thomsonreuters.com/quickfinder**) for tables summarizing key provisions of the December 2020 legislation.

Tax Legislation History

The following table identifies selected tax legislation enacted beginning in 2010 that may impact 2020 and later tax returns.

Name of Act	Public Law Number	Date of Enactment
Hiring Incentives to Restore Employment (HIRE) Act	PL 111-147	3/18/10
Patient Protection and Affordable Care Act	PL 111-148	3/23/10
Health Care and Education Reconciliation Act of 2010	PL 111-152	3/30/10
Small Business Jobs Act of 2010	PL 111-240	9/27/10
Tax Relief Act of 2010	PL 111-312	12/17/10
Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (the 1099 Act)	PL 112-9	4/14/11
American Taxpayer Relief Act of 2012	PL 112-240	1/2/13
Tax Increase Prevention Act of 2014	PL 113-295	12/19/14
Protecting Americans From Tax Hikes Act of 2015 (PATH Act)	PL 114-113	12/18/15
Disaster Tax Relief and Airport and Airway Extension Act of 2017	PL 115-63	9/29/17
Tax Cuts and Jobs Act (TCJA)	PL 115-97	12/22/17
Bipartisan Budget Act of 2018 (BBA)	PL 115-123	2/9/18
Consolidated Appropriations Act, 2018	PL 115-141	3/23/18
Consolidated Appropriations Act, 2020	PL 116-93	12/20/19
Further Consolidated Appropriations Act, 2020	PL 116-94	12/20/19
Coronavirus Aid, Relief, and Economic Security (CARES) Act	PL 116-136	3/27/20
Consolidated Appropriations Act, 2021	PL 116-260	12/27/20

Taxpayer Certainty and Disaster Tax Relief Act of 2019
Changes Impacting This Handbook

Item	*IRC §*	*Effective Date*	*Handbook Pages*	*New Law*	*Before Law Change*
Individual Deductions and Exclusions					
Cancellation of Debt (COD)—Mortgage Debt	108(a)(1)(E)	2018–2020 (or later with written binding agreement)	8-13, 8-14	Individuals can exclude up to $2 million ($1 million for MFS) of COD income from qualified principal residence indebtedness that is canceled because of their financial condition or decline in value of the residence. Debt canceled after 12/31/20 qualifies if discharged pursuant to a written binding agreement entered into before 1/1/21.	Exclusion expired on 12/31/17.
Business Property					
Energy-Efficient Commercial Buildings Deduction	179D(h)	Property placed in service in 2018–2020	7-7	A business can deduct, rather than capitalize and depreciate, all or part of the cost of energy efficient commercial building property.	The deduction expired for property placed in service after 2017.
Motorsports Entertainment Complexes	168(i)(15)(D)	Property placed in service in 2018–2020	2-3, 2-4	The Act extends the seven-year recovery period for motorsports entertainment complexes to property placed in service during 2018–2020.	The seven-year recovery period expired for such complexes placed in service after 2017.
Qualified Indian Reservation Property	168(j)(9)	Property placed in service in 2018–2020	2-5, 4-2, 4-3, 4-8, 4-10, 4-12, 4-14, 4-16, 4-31, 4-32	The Act extends accelerated cost recovery for qualified Indian reservation property to property placed in service during 2018–2020.	Accelerated cost recovery expired for such property placed in service after 2017.

Continued on the next page

Taxpayer Certainty and Disaster Tax Relief Act of 2019 ***Changes Impacting This Handbook* (Continued)**					
Item	***IRC §***	***Effective Date***	***Handbook Pages***	***New Law***	***Before Law Change***
Business Property (Continued)					
Race Horses—3-Year Property	168(e)(3)	Property placed in service in 2018–2020	2-3, 2-4, 2-11, 2-22	A race horse, regardless of age when placed in service, is treated as three-year property.	The three-year recovery period expired for race horses two years old or younger placed in service after 2017.
Special (Bonus) Depreciation—Second Generation Biofuel Plant Property	168(l)(2)(D)	Property placed in service in 2018–2020	2-19	The Act extends the 50% additional first-year depreciation deduction for qualified property to property placed in service after 2017. **Note:** This provision is separate from bonus depreciation under Section 168(k). Property qualifying under Section 168(k) is not eligible for the Section 168(l) deduction.	The 50% additional first-year depreciation deduction expired for property placed in service after 2017.
Tax Credits					
Alternative Motor Vehicle Credit	30B(b) and (k)	Vehicles purchased in 2018–2020	6-10	The Act extends the credit for vehicles propelled by chemically combining oxygen with hydrogen and creating electricity ("fuel cell motor vehicles").	Credit expired for vehicles purchased after 2017.
New Energy Efficient Homes Credit	45L(g)	Homes acquired in 2018–2020	7-8	A credit is available to the seller of homes that meet certain energy efficiency standards.	Credit expired on 12/31/17.
Nonbusiness Energy Property Credit	25C(g)	Property placed in service in 2018–2020	7-8	A credit (subject to a $500 lifetime cap) is available for qualified energy efficiency improvements and expenditures to a taxpayer's principal residence.	Credit expired on 12/31/17.
Two-Wheeled Plug-In Electric Vehicles Credit	30D(g)	Vehicles acquired in 2018–2020	6-11	The Act extends the credit for electric motorcycles acquired in 2018–2020.	Credit expired on 12/31/17.
Other Provisions					
Empowerment Zone Tax Incentives	1391(d)(1)	Tax years beginning in 2018–2020	5-2	The Empowerment Zone designation is available through 12/31/20; therefore, tax incentives for such areas, including the Section 1397D increased Section 179 deduction, are available.	The availability of the Empowerment Zone designation expired 12/31/17.

Selected Expired and Repealed Provisions Affecting Business Assets				
Item	***Effective Date***	***Handbook Pages***	***Provision in Effect for 2017***	***Provision in Effect for 2018 and Later***
Business Property				
Qualified Leasehold, Restaurant, and Retail Improvement Property—15-Year Recovery Period	Property placed in service before 2018	7-9, 7-11	Qualified leasehold improvements, qualified restaurant property, and qualified retail improvements are 15-year MACRS property [former IRC Sec. 168(e)(3)(E)].	**Repealed provision.** The separate definitions of qualified leasehold, restaurant, and retail improvement property are eliminated for property placed in service after 2017.
General Deductions, Exclusions, and Credits				
Domestic Producers Deduction	Tax years beginning after 2017	—	A deduction equal to 9% of the income earned from certain manufacturing and other production activities conducted within the U.S. was allowed.	**Repealed provision.** The domestic producers deduction is repealed.
Incremental Research	Qualified research expenditures incurred after 2014	11-9	A credit is available for the cost of increasing research activities (IRC Sec. 41). Also, beginning in 2016, eligible small businesses ($50 million or less in gross receipts) may claim the credit against AMT, and the credit can be utilized by certain small businesses against employer payroll tax (FICA) liability.	**Repealed provision.** For tax years beginning after 2017, the corporate AMT is repealed. Therefore, the incremental research credit cannot be claimed against AMT.