



DEPRECIATION BONUS

STATUS

An additional first-year depreciation deduction had been in place equal to 50 percent of the adjusted basis of qualified property placed in service before January 1, 2013 (2014 for certain longer-lived and transportation property).

The American Taxpayer Relief Act, signed into law on January 2, 2013 as Public Law 112-240, extends the 50 percent deduction for qualified property placed in service before January 1, 2014 (2015 for certain longer-lived and transportation property).

REQUIREMENTS

Rules similar to those in section 168(k)(2)(A)(ii) and (iii), which provide that qualified property does not include property acquired pursuant to a written binding contract that was in effect prior to January 1, 2008, apply for purposes of determining whether property is eligible for the temporary 50 percent additional first-year depreciation deduction. Thus under the provision, property acquired pursuant to a written binding contract entered into after December 31, 2011 is qualified property for purposes of the 50 percent additional first-year depreciation deduction assuming all other requirements of section 168(k)(2) are met.

OUTLOOK

The depreciation bonus has shown surprising resilience. It appears to be a popular provision on both sides of the aisle. The question is whether Congress chose to improve depreciation rules as part of tax reform. If not, the debate to renew the bonus will be part of the next extender debate.

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