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Qualified Improvement Property Now Eligible for Bonus Depreciation Through CARES Act

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Under the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, Qualified Improvement Property (“QIP”) placed in service in 2018 and after can now be considered as 15-Year Property and is eligible for 100% bonus depreciation. QIP refers to interior improvements including drywall, interior fixtures, mechanical, electrical and plumbing made to nonresidential real property by a taxpayer. Elevators, escalators, interior structural framework and enlargements are not considered QIP.

QIP was originally supposed to have been considered as 15-Year Property and eligible for 100% bonus depreciation beginning in 2018 under the Tax Cuts and Jobs Act of 2017 (“TCJA”). However due to a technical error QIP was not defined as 15-Year Property or qualifying property for bonus depreciation. This technical error had a big impact to the retail and hospitality industry because of the rate that these businesses open and renovate locations. However now that the CARES Act has been passed and this technical error has been fixed, taxpayers can now take advantage of QIP retroactively to January 1, 2018.

Claiming bonus depreciation requires certain criteria a taxpayer must meet depending on the accounting method used and a cost segregation study can assist in identifying personal property that is eligible for bonus depreciation. We are available to work with your accountant to navigate through this and any other cost segregation issues you may have.