

# QUALIFIED IMPROVEMENTS - DEPRECIATION QUICK REFERENCE (UPDATED 11/25/2024)



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	APPLICABLE PIS DATES (INCLUSIVE)	MACRS GDS RECOVERY PERIOD	BONUS DEP ELIGIBLE	3 YEAR RULE	UNRELATED PARTIES RULE	179 EXPENSE ELIGIBLE	IMPORTANT NOTES	CODE SECTION
Qualified <b>Improvement</b> Property (QIP): 2018 - Onward	01/01/18 - onward	15 Year / SL	Y	N	N	Y <sup>9</sup>	Applies to interior common areas. Building can be owner occupied. No 3-year rule. See exclusions in definition.	168(e)(6)
Qualified <b>Improvement</b> Property (QIP): 2016 - 2017	1/1/16 - 12/31/17	39 <sup>5</sup> Year / SL	Y	N	N	N <sup>7</sup>	Applies to interior common areas. Building can be owner occupied. No 3-year rule. See exclusions in definition.	168(k)(3)
Qualified <b>Leasehold</b> Improvements (QLI): 2004 - 2017	10/23/04 - 12/31/17	15 Year / SL	Y <sup>1</sup>	Y	Y	2010 - 2017 <sup>6</sup>	Landlord or lessee can make the interior improvement. See exclusions in definition.	168(e)(6)
Qualified <b>Leasehold</b> Improvements (QLI): 2001 - 2004 Partial	9/11/01 - 10/22/04	39 Year / SL	Y	Y	Y	N/A	39 year QLI qualifies for Bonus. Landlord or lessee can make the interior improvement. See exclusions in definition.	168(e)(6)
Qualified <b>Retail</b> Improvement Property: 2016 - 2017	1/1/16 - 12/31/17	15 Year / SL	Y	Y	N	2010 - 2017 <sup>6</sup>	Building can be owner occupied. See exclusions in definition.	168(e)(8)
Qualified <b>Retail</b> Improvement Property: 2009-2015	1/1/09 - 12/31/15	15 Year / SL	N <sup>2</sup>	Y	N	2010 - 2017 <sup>6</sup>	Building can be owner occupied. See exclusions in definition.	168(e)(8)
Qualified <b>Restaurant</b> Property: 2009 - 2017	1/1/09 - 12/31/17	15 Year / SL	N <sup>4</sup>	N	N	2010 - 2017 <sup>6</sup>	Encompasses the entire building structure as well as interior costs. Can be an acquired building.	168(e)(7)
Qualified <b>Restaurant</b> Property: 2008	1/1/08 - 12/31/08	15 Year / SL	Y	Y	N	N/A	Applicable to all improvements attached to building.	168(e)(7)
Qualified <b>Restaurant</b> Property: 2004-2007	10/23/04 - 12/31/07	15 Year / SL	N <sup>3</sup>	Y	N	N/A	Applicable to all improvements attached to building.	168(e)(7)

## BONUS DEPRECIATION RATES (INCLUSIVE DATES)

9/11/01 - 5/5/03 <sup>8</sup>	30%
5/6/03 - 12/31/04 & 1/1/08 - 9/8/10 <sup>8</sup>	50%
9/9/10 - 12/31/11 <sup>8</sup>	100%
1/1/12 - 9/27/17 <sup>8</sup>	50%
9/28/17 - 12/31/22 <sup>8, 10, 11</sup>	100%
1/1/23 - 12/31/23 <sup>8, 10, 11</sup>	80%
1/1/24 - 12/31/24 <sup>8, 10, 11</sup>	60%
1/1/25 - 12/31/25 <sup>8, 10, 11</sup>	40%
1/1/26 - 12/31/26 <sup>8, 10, 11</sup>	20%

## FOOTNOTES:

- NOT eligible for bonus if placed in service 1/1/2005 - 12/31/2007.
- Retail Improvements are not eligible for bonus depreciation unless it meets the criteria for QLI.
- Qualified Restaurant Property is eligible for bonus depreciation if placed in service 10/23/2004 - 12/31/2004.
- Improvements that also meet the criteria for QLI are eligible for bonus depreciation. After 2015, improvements that also meet the criteria for QIP are eligible for bonus depreciation. Restaurant property that is acquired 9/28/2017-12/31/2017 is fully expensed (subject to written binding contract rules).
- Improvements that meet the definition of Qualified Improvement Property and meet the definition of QLI, Qualified Retail Improvements, or Qualified Restaurant Property can be depreciated over a 15-year straight line period.
- Eligible up to \$250k from 2010 - 2015; 2016 and 2017 are subject to normal 179 expense cap.
- Improvements that meet the definition of Qualified Improvement Property and meet the definition of QLI, Qualified Retail Improvements, or Qualified Restaurant Property qualify for the 179 Expense.
- Long Production Period (QLIs over \$1M and construction period exceeds 1 year) - can be placed in service one year after bonus normally expires. QLI (that is also LPP) started before 1/1/2012 can be entirely eligible for 100% bonus if completed during 2012. Bonus is applicable if LPP is started before 1/1/2027. Only pre-1/1/2027 basis is bonus eligible on any LPP.
- Section 179 rules are modified to include certain improvements to buildings. See 179 Expense notes on page 2.
- Bonus depreciation is available for used property placed in service after 9/27/17, however it is does not apply to the portion where the taxpayer previously had a depreciable interest.
- Bonus is not available to taxpayers with floor plan financing (motor vehicle, boat, farm machinery) unless they are exempt from business interest limitations.

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## SECTION 179 EXPENSE LIMITATIONS (DATES, DOLLAR LIMIT, REDUCTION)

TAX YEAR	MAXIMUM DEDUCTION		INVESTMENT LIMIT
01/01/11 - 12/31/17	\$500,000		\$2,000,000
1/1/18 onward <sup>1</sup>	\$1,000,000 <sup>2</sup>		\$2,500,000 <sup>2</sup>
2019	\$1,020,000	\$25,500 SUV limit	\$2,550,000
2020	\$1,040,000	\$25,900 SUV limit	\$2,590,000
2021	\$1,050,000	\$26,200 SUV limit	\$2,620,000
2022	\$1,080,000	\$27,000 SUV limit	\$2,700,000
2023	\$1,160,000	\$28,900 SUV limit	\$2,890,000
2024	\$1,220,000	\$30,500 SUV limit	\$3,050,000
2025	\$1,250,000	\$31,300 SUV limit	\$3,130,000

### COMMON PROPERTY FOR SECTION 179 DEDUCTION

QUALIFYING PROPERTY	NONQUALIFYING PROPERTY
Equipment	Buildings and their structural components
Furniture	Elevators and escalators
Machinery	Government property
Qualified Improvement Property	Land and land improvements
Office FF&E	Rental property

### SECTION 179 VS. SPECIAL DEPRECIATION

PROVISION	SPECIAL DEPRECIATION ALLOWANCE	SECTION 179 DEDUCTION
New or used property	Yes	Yes
Specific date range for eligibility	Yes	No
Annual limits	No	Yes
Rental activity personal property	Yes	Yes
Property qualifies if used 50% or less for business propose	Yes	No
Recapture if business use of property decreases to 50% or less	No	Yes
Property may be acquired from related party	Yes	No
AMT adjustment	No	No

• Used property qualifies if acquired after September 27, 2017.  
 • Additional section 280F limits apply to passenger vehicles, and \$27,000 (2022) SUB limit.  
 • Listed property does not qualify if used 50% or less for business and special depreciation must be recaptured if listed property use falls to 50% or less.

### FOOTNOTES:

- In 2018 onward, the Section 179 expense includes improvements to the following non-residential real property that are placed in service after the date such property was first placed in service: roofs; heating, ventilation, and air-conditioning; fire protection and alarm systems; and security systems. 179 expensing does not apply to certain non-corporate lessors. See Sec. 179(d)(5). Qualified Section 179 property now includes depreciable tangible personal property used to furnish lodging (e.g. residential rental properties, hotels, etc).
- Any taxable year beginning after 2018, the dollar amounts will be indexed for inflation.

### DEFINITIONS:

**3 Year Rule:** The improvements must have been placed in service by any taxpayer more than three years after the date the building was first placed into service.

**Leased Between Unrelated Party Qualification:** Improvements must be made subject to a lease between unrelated parties (see code section 1504). Can be made by lessees, sub-lessees or lessors to an interior portion of a nonresidential building. Parties are related when there is more than 80% ownership shared between them.

**Long Production Period Property:** 168(k)(2)(B) - Must have a recovery period of at least 10 years, is subject to section 263A, has an estimated production period exceeding 2 years, or an estimated production period exceeding 1 year and a cost exceeding \$1,000,000.

**Qualified leasehold improvement property (QLI)<sup>a</sup> 2001-2017:** (A) Any improvement to an interior portion of a building which is nonresidential real property if— (i) such improvement is made under or pursuant to a lease (I) by the lessee (or any sublessee) of such portion, or (II) by the lessor of such portion, (ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and (iii) such improvement is placed in service more than 3 years after the date the building was first placed in service. (B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) any structural component benefiting a common area, and (iv) the internal structural framework of the building.

**Qualified retail improvement property<sup>a</sup> 2009-2017:** Any improvement to an interior portion of a building which is nonresidential real property if— (i) such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and (ii) such improvement is placed in service more than 3 years after the date the building was first placed in service. QRIP shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) any structural component benefiting a common area, or (iv) the internal structural framework of the building.

**Qualified restaurant property<sup>a</sup> 2004-2008:** an improvement to a building if— (A) Such improvement is placed in service more than 3 years after the date such building was first placed in service, and (B) more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.

**Qualified restaurant property<sup>a</sup> 2009-2017:** Any section 1250 property which is (i) a building or improvement to a building — if more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals, and (ii) if such building is placed in service after December 31, 2008.

**Qualified improvement property<sup>a</sup> (QIP) 2016-2017:** (A) Any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date the building was first placed in service. (B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) the internal structural framework of the building.

**Qualified improvement property<sup>a</sup> (QIP) 2018-onward:** (A) Any improvement made by the taxpayer to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date the building was first placed in service. (B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) the internal structural framework of the building.

### OTHER NOTES:

- Tenant improvements that include costs for HVAC rooftop units are excluded from the definition of Qualified Leasehold Improvements (QLI), Qualified Retail Improvements, and Qualified Improvement Property (CCA 201310028)
- Restaurant tenant improvements located within a multi-tenant building where 50 percent of the building's total square footage is not leased to restaurants, do not meet the definition of Qualified Restaurant Property.

### CLAIM THE DEDUCTIONS IN THE FOLLOWING ORDER:

- Section 179 deduction, then
- Special depreciation allowance, then
- Regular depreciation allowance.

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