

Qualified Improvement Property Now Qualifies for Bonus Depreciation



The CARES Act provides a long-awaited technical correction for qualified improvement property (QIP) and allows taxpayers to claim bonus depreciation on eligible QIP as intended by TCJA.

How Can Andersen Help?

Andersen can assist clients with the following:

- Review fixed asset records for 2018 and 2019 to identify eligible QIP property
- Assist with analysis of whether to implement correction on an amended return or with an accounting method change (Form 3115)
- Prepare amended returns or Form 3115 filings
- Perform a cost segregation study to identify QIP and other shorter-lived assets that may qualify for bonus depreciation
- Assist with revoking prior elections that may limit a taxpayer's ability to benefit from bonus depreciation

What is Qualified Improvement Property (QIP)?

- Any improvement made by the taxpayer to an interior portion of a building that is nonresidential real property as long as that improvement is placed into service after the building was first placed in service by any taxpayer
- Excludes (1) expenditures attributable to the enlargement of the building, (2) any elevator or escalator, (3) the internal structural framework of a building, and (4) used property

Major Changes by the CARES Act

- Any improvement made by the taxpayer to an interior portion of a building that is nonresidential real property as long as that improvement is placed into service after the building was first placed in service by any taxpayer

Opportunities to Implement the QIP Correction

- File an amended return for 2018 (and 2019 if already filed)
- Request an accounting method change on Form 3115 for 2020 (or 2019 if not yet filed)
- The additional depreciation deductions will be taken during the year of change

Other Considerations

- Taxpayers may also revoke certain depreciation and Sec. 163(j) elections for 2018 and 2019 taxable years that could be limiting the depreciation deductions available

For further information please contact your Andersen advisor.

