Depreciation and expensing provisions in the 2014 Tax Increase Prevention Act

The recently enacted "Tax Increase Prevention Act of 2014" contains several important depreciation and expensing provisions. I'm writing to give you an overview of the key cost recovery rules in the new law. Please call our office for details of how the new changes may affect you or your business.

The most significant changes to the depreciation and expensing rules include:

- 50% bonus depreciation alternative minimum tax (AMT) depreciation relief is retroactively extended to apply to qualified property placed in service before Jan. 1, 2015 (Jan. 1, 2016 for certain qualified property).
- Trading bonus and accelerated depreciation for the present refund of certain deferred nonrefundable credits is extended retroactively.
- Disregard of some depreciation under the percentage of completion method is retroactively extended to property placed in service before Jan. 1, 2015 (Jan. 1, 2016 for certain property).
- Increase in first year depreciation cap for cars that are "qualified property" is retroactively extended through Dec. 31, 2014.
- Minimum class life for qualified smart electric meters and electric grid systems eligible to be MACRS ten-year property is retroactively changed from 10 years to 16 years.
- 15-year straight line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements is retroactively extended to property placed in service before Jan. 1, 2015.
- Special allowance for second generation biofuel plant property is retroactively extended through Dec. 31, 2014.
- 3-year cost recovery is retroactively extended to all race horses placed in service before Jan. 1, 2015.
- 7-year recovery period for motorsports entertainment complexes is retroactively extended to facilities placed in service through 2014.
- Higher limits on Code Sec. 179 expensing (up to $500,000 write-off of capital expenditures subject to a gradual reduction once capital expenditures exceed $2,000,000) are retroactively extended to tax years beginning in 2014.

- Treatment of qualified real property and some computer software as Code Sec. 179 property is retroactively extended to tax years beginning in 2014.
- Revocation of Code Sec. 179 election without IRS consent is retroactively extended to tax years beginning in 2014.
- Special expensing rules for certain film and television productions are retroactively extended for one year to productions beginning before Jan. 1, 2015.
- The election to expense mine safety equipment is retroactively extended for one year to property placed in service through 2014.
- Accelerated depreciation for business property on an Indian reservation is retroactively extended to property placed in service through 2014.

I hope this information is helpful. If you would like more details about these changes or any other aspect of the new law, please do not hesitate to call.

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