100% Bonus Depreciation

21 December 2010 | by **Cordasco**

Yes you heard that right. Under the 2010 Tax Relief Act, qualified assets purchased after September 8, 2010 and before January 1, 2012 are eligible for bonus first year depreciation of 100%. Let's just say that we can expense them off with out limit if they are "qualified assets".

In general, an asset qualifies for the bonus depreciation allowance if:

- It falls into one of the following categories: property to which the modified accelerated cost recovery system (MACRS) rules apply with a recovery period of 20 years or less; computer software ; qualified leasehold improvement property; or certain water utility property.
- It is placed in service before Jan. 1, 2011. (Certain long-production-period property and certain transportation property may be placed in service before Jan. 1, 2012.)
- Its original use commences with the taxpayer. Original use is the first use to which the property is put, whether or not that use corresponds to the taxpayer's use of the property. Let's call it "new" property not "used" property

Note: This will apply to qualified leasehold improvement property as 15-year property, but **not** to qualified restaurant property as 15-year property or qualified retail improvement property as 15-year property.

Section 179 Depreciation: The 2010 Tax Relief Act refers to the new 100% depreciation deduction in the placed-in-service year as "100% expensing," but the tax break is not to be confused with expensing under Code Sec. 179 , which is subject to entirely separate rules. Property may be expensed under Code Sec. 179 whether bought new or used. By contrast, property is eligible for the new 100% first-year write-off only if it's new. Sec 179 limits the amount of assets purchased in a year to $2 million and expense up to $500,000. 100% bonus has no such limits. So, $2 million in new assets can be expensed.

Now that's a X-mas present!