

CARES ACT – Change to Qualified Improvement Property Depreciation



Did you make interior improvements to commercial property in 2018 or 2019?

If yes, you may be able to accelerate the depreciation on Qualified Improvement Property (QIP) and file for a refund of prior income taxes paid. Due to a drafting error in the final version of the Tax Cuts & Jobs Act, this type of property was required to be depreciated over 39 years, rather than the intended 15 years. The CARES Act corrects the error and you can now depreciate these assets over a 15-year life, which makes them eligible for 100% bonus depreciation.

Even if your commercial real estate reported a loss in 2018 or 2019, you can claim the additional depreciation on QIP and reduce current year taxes or potentially generate a Net Operating Loss that can be carried back up to five years to recover previous income taxes paid.

This change to the depreciable life of QIP property applies to assets placed in service after December 31, 2017.

QIP is defined as any improvement made by the taxpayer to the interior portion of a building that is non-residential real property if such an improvement is placed in service after the date such building was first placed in service and specifically excludes the enlargement of a the building, any elevator or escalator, or modifications to the internal structural framework of the building.

Please contact RDG with your tax related questions. We will review your tax returns and determine how you can take advantage of the significant tax law changes from the CARES Act.