

Comparison of Section 179 Expense and 100% Bonus Depreciation

Description	Section 179 Expense	100% Bonus Depreciation
Qualified property	<ul style="list-style-type: none"> • Section 1245 property • Purchased computer software • Qualified real property <ul style="list-style-type: none"> – Qualified improvement property under IRC Sec. 168(e)(6) – Roofs – Heating, ventilation, and air conditioning property – Fire protections and alarm systems – Security systems • Acquired from unrelated party • Used > 50% in active business 	<ul style="list-style-type: none"> • Eligible Section 168 recovery property with a recovery period of 20 years or less^a • Depreciable computer software not amortizable under IRC Sec. 197 • Water utility property • Qualified film or television production property • Qualified live theatrical production property
Maximum limit	\$1,000,000 (for 2018)	None
Property ceiling	Decreased by \$1 for each \$1 of property placed in service in excess of \$2,500,000 (for 2018). No deduction allowed once total eligible property purchases exceed \$3,500,000 (for 2018).	None
Taxable income limitation	Yes	No
AMT limitations	Same as regular tax	Same as regular tax
Election required	Yes	No — need election to opt out
Statutory end date	No	December 31, 2022 Phases down to 80% in 2023, 60% in 2024, 40% in 2025, and 20% in 2026. An extra year is added for long-term production property.
Carryforward available	Carried forward indefinitely as Section 179 deduction.	Carry forward indefinitely as part of general net operating loss carryforward.

Description	Section 179 Expense	100% Bonus Depreciation
Effect on midquarter convention	None — assets expensed under Section 179 are not considered in calculation.	Included in calculation. If 40% of assets purchased in last quarter, mid-quarter convention will apply. If all assets eligible for bonus depreciation, midquarter convention will have no effect on amount of depreciation claimed.
Effect on qualified business income (QBI) deduction	Assets for which Section 179 deduction is claimed are included in the wage/investment limitation calculation [Prop. Reg. 1.199A-2(c)(3)].	Assets for which 100% bonus depreciation is claimed are included in the wage/investment limitation calculation.
Specific property selected	Yes — Section 179 election is made on property by property basis.	No — Bonus depreciation is mandatory; must elect out and election out is for each class of property, not each individual property.
Available for used property?	Yes	Yes
Election revocable	Yes, until statute of limitations on return has passed.	Election out of bonus depreciation must be made by the due date, including extensions, of the tax return.
Subject to luxury auto limitations under IRC Sec. 280F?	Yes — if electing out of bonus depreciation, subject to first-year maximum deduction of \$10,000 (for 2018). If not electing out of bonus depreciation, will be eligible for additional \$8,000 first-year depreciation.	Yes — maximum first-year deduction of \$18,000 (for 2018).

Note:

^a Qualified improvement property was previously codified as expressly eligible for bonus depreciation [IRC Sec. 168(k)(2)(A)(i)(IV), before amended by the 2017 Tax Cuts and Jobs Act (TCJA)]. This provision was removed with the expectation that qualified improvement property would automatically qualify under IRC Sec. 168(k)(2)(A)(i)(I), as amended by the TCJA, as property with a recovery period of 20 years or less. According to the Joint Explanatory Statement for the TCJA, it was the intent of Congress for qualified improvement property to have a 15-year recovery period. However, with the failure to include qualified improvement property as 15-year property in the TCJA, qualified improvement property is technically not eligible for bonus depreciation unless included in technical corrections legislation. The IRS has issued guidance that allows qualified improvement property placed in service after September 27, 2017 and before January 1, 2018, to qualify for bonus depreciation (Prop. Regs. 1.168(b)-1(b)(a)(5) and 1.168(k)(b)(2)]. Practitioners should be alert for further developments.

