Consolidated Appropriations Act, 2016, Division Q (PATH Act)
Changes Impacting Content in the 2016 Federal Depreciation Handbook
Expired Provisions Extended Permanently

Item	*IRC §*	*Effective Date*	*Handbook Pages*[1]	*New Law*	*Before Law Change*
Business Property					
Qualified Leasehold, Restaurant and Retail Improvement Property	168(e)(3)(E)	Property placed in service after 12/31/14	QRC, 3-4–3-7, 4-43, 4-46, 4-47, 6-4, 6-7, 9-3, 9-4, 9-19–9-21	The PATH Act retroactively extends and makes permanent the 15-year (straight-line) recovery period for qualified leasehold improvements, qualified restaurant property and qualified retail improvements. (PATH Act §123)	Such properties placed in service before 2015 had for several years been assigned a 15-year (straight-line) recovery period by temporary extensions in various tax acts. However, the latest of these extensions expired for property placed in service after 2014, so a 39-year (straight-line) recovery period would have applied in 2015 and later years.
Section 179—Deduction Limit and Eligible Property	179(b), (c) and (d)	Property placed in service in tax years beginning after 12/31/14	QRC, Chapter 7 (throughout), 8-16–8-18, 13-10	The PATH Act retroactively extends and makes permanent the Section 179 deduction and qualifying property limits of $500,000 and $2,000,000, respectively. In addition, expensing for off-the-shelf software is retroactively extended and made permanent, as is the provision that allows the Section 179 election to be revoked without IRS consent. (PATH Act §124)	For tax years beginning in 2010, and through 2014 by temporary extensions, (1) the deduction and qualifying property limits were $500,000 and $2,000,000, respectively; (2) off-the-shelf software qualified for expensing and (3) the election could be revoked without IRS consent. However, the latest of these extensions expired for property placed in service in tax years beginning after 2014, so deduction and qualifying property limits of $25,000 and $200,000, respectively; off-the-shelf software ineligibility for expensing and election revocability only with IRS consent would have applied to tax years beginning in 2015 and later.
Section 179—Expansion and Inflation Adjustment	179(b) and (d)	Tax years beginning after 12/31/15	7-14, 7-15	For tax years beginning after 2015, the $500,000 and $2 million limits are indexed for inflation and air conditioning and heating units are eligible for expensing. (PATH Act §124)	For several years, the Section 179 deduction and qualifying property limits have not been adjusted for inflation. In addition, air conditioning and heating units did not qualify for Section 179 expensing. These rules continue to apply to tax years beginning in 2015.
Section 179—Qualified Real Property	179(f)	Tax years beginning after: 12/31/14 ($250,000 deduction) 12/31/15 ($500,000 deduction)	QRC, 7-13, 7-14, 7-16, 7-17, 9-4, 9-19–9-21	For tax years beginning in 2015, taxpayers can claim the Section 179 deduction on up to $250,000 of qualified real property (qualified leasehold improvements, qualified restaurant property and qualified retail improvement property). For tax years beginning after 2015, the $250,000 deduction cap is eliminated. (PATH Act §124)	For tax years beginning in 2010, and through 2014 by temporary extensions, qualified real property was eligible for up to $250,000 of Section 179 expensing. However, the latest of these extensions expired for property placed in service in tax years beginning after 2014, so Section 179 qualification would not have applied to tax years beginning in 2015 and later.
Tax Credit					
Research Credit	38 and 41	Amounts paid or incurred after 12/31/14 (permanency) Tax years beginning after 12/31/15 (other changes)	13-21–13-23	The PATH Act retroactively and permanently extends the credit. Also, beginning in 2016, eligible small businesses ($50 million or less in gross receipts) may claim the credit against AMT, and the credit can be utilized by certain small businesses against employer payroll tax (FICA) liability. (PATH Act §121)	Before 2015, a credit was allowed for the cost of increasing research activity. The credit generally was 20% of qualifying expenses over a base amount. The credit expired for amounts paid or incurred after 2014.

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— End of Table—Expired Provisions Extended Permanently —

Consolidated Appropriations Act, 2016, Division Q (PATH Act)
Changes Impacting Content in the 2016 Federal Depreciation Handbook
Expired Provisions Extended Through 2019

Item	***IRC §***	***Effective Date***	***Handbook Pages[1]***	***New Law***	***Before Law Change***
Business Property					
Special (Bonus) Depreciation—Extension and Modification	168(k)	Property placed in service in 2015–2019	QRC, 3-25–3-28, Chapter 5 (throughout), 6-4, 6-31–6-35, 7-17, 7-18, 8-3, 8-15–8-18, 9-5, 9-19–9-21, 11-15, 12-8, 12-9, 13-10	50% special depreciation is allowed for qualified property placed in service in 2015–2017 (also 2018 for long-production-period property and certain aircraft). [PATH Act §143(a) and (b)] **Note:** For 2015–2017, the Section 280F limit on depreciation for passenger autos, trucks and vans is also increased by $8,000. 40% special depreciation is allowed for qualified property placed in service in 2018 (also 2019 for long-production-period property and certain aircraft). [PATH Act §143(b)] **Note:** For 2018, the Section 280F limit on depreciation for passenger autos, trucks and vans is also increased by $6,400. 30% special depreciation is allowed for qualified property placed in service in 2019 (also 2020 for long-production-period property and certain aircraft). [PATH Act §143(b)] **Note:** For 2019, the Section 280F limit on depreciation for passenger autos, trucks and vans is also increased by $4,800. Beginning in 2016, qualified property includes qualified improvement property, whether or not subject to a lease, and there is no requirement that the improvement be placed in service more than three years after the building. Also, certain trees, vines and plants bearing fruit or nuts are electively eligible for special depreciation when planted or grafted, rather than when placed in service. [PATH Act §143(b)]	For property placed in service in 2015, special deprecation was only available for long-production-period property and certain aircraft.
Special (Bonus) Depreciation—Special Corporate Election to Accelerate Alternative Minimum Tax (AMT) Credits Instead	168(k)(4)	Property placed in service in 2015–2019	3-28, 5-30, 13-23	The election available to corporations to forego the special depreciation allowance and instead increase the limit on AMT credits is extended one year to assets placed in service in 2015. The election can be made for Round Five property, which is property eligible for special depreciation solely because of the extension of the special depreciation allowance for certain property placed in service in 2015. However, corporations that have already made this election for an earlier year can elect to not apply the election to Round Five property. [PATH Act §143(a)] Beginning in 2016, the AMT rules are modified by increasing the amount of unused AMT credits that may be claimed in lieu of special (bonus) depreciation. [PATH Act §143(b)]	Provision expired for assets placed in service after 12/31/14 (12/31/15 for long-production-period property and certain aircraft).

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Consolidated Appropriations Act, 2016, Division Q (PATH Act)
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Item	*IRC §*	*Effective Date*	*Handbook Pages*[1]	*New Law*	*Before Law Change*
Individual Exclusion					
Cancellation of Debt (COD)—Mortgage Debt	108(a)(1)(E)	2015 and 2016 (or later with written binding agreement)	10-29	Individuals can exclude up to $2 million ($1 million for MFS) of COD income from qualified principal residence indebtedness that is canceled because of their financial condition or decline in value of the residence. Debt canceled after 12/31/16 qualifies if discharged pursuant to a written binding agreement entered into before 1/1/17. (PATH Act §151)	Exclusion expired on 12/31/14.
Business Property					
Energy Efficient Commercial Building Deduction	179D(h)	Property placed in service in 2015/2016	9-15, 9-16	A business can deduct, rather than capitalize and depreciate, all or part of the cost of energy efficient commercial building property (PATH Act §190). In addition, starting in 2016, the energy efficiency standards are updated. (PATH Act §341)	The deduction expired for property placed in service after 2014.
Motorsports Entertainment Complexes	168(i)(15)(D)	Property placed in service in 2015/2016	3-6, 4-13, 4-20, 4-35, 4-39	The PATH Act extends the seven-year recovery period for motorsports entertainment complexes to property placed in service during 2015 or 2016. (PATH Act §166)	The seven-year recovery period expired for such complexes placed in service after 2014.
Qualified Indian Reservation Property	168(j)(8) and (9)	Property placed in service in 2015/2016	3-10, 4-55, 4-56, 6-4, 6-35–6-37	The PATH Act extends accelerated cost recovery for qualified Indian reservation property to property placed in service during 2015 or 2016. The provision also modifies the deduction to permit taxpayers to elect out of the accelerated recovery rules. (PATH Act §167)	Accelerated cost recovery expired for such property placed in service after 2014.
Race Horses—3-Year Property	168(e)(3)	Property placed in service in 2015/2016	3-6, 3-7, 3-21, 4-11, 4-20, 4-24, 4-25	A race horse, regardless of age when placed in service, is treated as three-year property. (PATH Act §165)	The three-year recovery period expired for race horses two years old or younger placed in service after 2014.
Special (Bonus) Depreciation—Second Generation Biofuel Plant Property	168(l)(2)(D)	Property placed in service in 2015/2016	3-28, 5-44, 5-45	The PATH Act extends for two years the 50% additional first-year depreciation deduction for qualified property. (PATH Act §189) **Note:** This provision is separate from bonus depreciation under Section 168(k). Property qualifying under Section 168(k) is not eligible for the Section 168(l) deduction.	The 50% additional first-year depreciation deduction expired for property placed in service after 2014.
Tax Credits					
Alternative Motor Vehicle Credit	30B(b) and (k)	Vehicles purchased in 2015/2016	8-22, 8-23	The PATH Act extends the credit for vehicles propelled by chemically combining oxygen with hydrogen and creating electricity (“fuel cell motor vehicles”). (PATH Act §193)	Credit expired for vehicles purchased after 2014.
New Energy Efficient Homes Credit	45L(g)	Homes acquired in 2015/2016	9-16	A credit is available to the seller of homes that meet certain energy efficiency standards. (PATH Act §188)	Credit expired on 12/31/14.
Nonbusiness Energy Property Credit	25C(g)	Property placed in service in 2015/2016	9-16, 9-17	A credit (subject to a $500 lifetime cap) is available for qualified energy efficiency improvements and expenditures to a taxpayer’s principal residence. Also, the Energy Star requirements are updated for property placed in service after 2015. (PATH Act §181)	Credit expired on 12/31/14.
Two-Wheeled Plug-In Electric Vehicles Credit	30D(g)	Vehicles acquired in 2015/2016	8-25	The PATH Act extends the credit for electric motorcycles acquired in 2015 and 2016 (but not in 2014). The credit for electric three-wheeled vehicles is not extended. (PATH Act §183)	For vehicles acquired before 2014, a credit was available for qualifying plug-in electric motorcycles and three-wheeled vehicles.
Other Business Provision					
Empowerment Zone Tax Incentives	1391(d)(1)	Tax years beginning in 2015/2016	Glossary, 7-4, 7-5	The Empowerment Zone designation is available through 12/31/16; therefore, tax incentives for such areas are available in tax years beginning in 2015 and 2016. In addition, provisions are modified beginning in 2016 to liberalize certain qualification requirements. (PATH Act §171)	The availability of the Empowerment Zone designation expired 12/31/14.

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— End of Table—Expired Provisions Extended Through 2016 —

Consolidated Appropriations Act, 2016, Division P Changes Impacting Content in the 2016 Federal Depreciation Handbook Tax Provisions Added or Changed					
Item	***IRC §***	***Effective Date***	***Handbook Pages[1]***	***New Law***	***Before Law Change***
Tax Credit					
Solar Electric and Water Heating Property Credit	25D	Property placed in service in 2017–2021	9-17, 9-18	The Act extends the availability of the credit for qualified solar water heating property and solar electric property expenditures through December 31, 2021. [Act §304(a)(2)] • For property placed in service in calendar years 2017, 2018 and 2019, the amount of the credit remains at 30%. • For property placed in service in calendar year 2020, the credit is reduced to 26%. • For property placed in service in calendar year 2021, the credit is reduced to 22%.	Individuals are allowed a 30% credit for qualified solar electric property expenditures and qualified solar water heating expenditures made during the tax year. The credit was scheduled to expire for property placed in service after 2016.

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Notes

— End of Table—Tax Provisions Added or Changed —