Tax Cuts and Jobs Act of 2017 (TCJA) *Changes Impacting Content in the 2018 Federal Depreciation Handbook*					
Item	***IRC §***	***Effective Date***	***Handbook Pages***[1]	***New Law***	***Before Law Change***
Expensing and Depreciating Property					
Section 179 Deduction Limits	179(b)	For property placed in service in tax years beginning after 2017	Chapter 7 (throughout), 8-20–8-22	The maximum Section 179 deduction and phase-out threshold are increased to $1 million and $2.5 million, respectively. These amounts will be indexed for inflation after 2018.	The maximum Section 179 deduction was $520,000 for 2018. In addition, the qualifying property phase-out threshold was $2,070,000.
Section 179 Deduction Qualifying Property	179(f)	For property placed in service in tax years beginning after 2017	7-12–7-17, 9-4, 9-19–9-22	The definition of *Section 179 property* is expanded to include certain tangible personal property used predominantly to furnish lodging and certain improvements to nonresidential real property (roofs, HVAC, fire protection and alarm systems and security systems).	Such property was not included in the definition of *Section 179 property*.
Immediate Expensing of Qualifying Business Assets	168(k)	Property acquired and placed in service after 9/27/17 and before 2023 (2024 for certain property with longer production periods and certain aircraft)	3-25–3-29, Chapter 5 (throughout), 6-4, 6-31–6-35, 7-18, 8-19–8-20, 9-4–9-5, 9-19–9-22, 12-8–12-9, 13-10	The additional (bonus) first-year depreciation deduction allowed for qualified property is increased to 100% and applies to new and used property. In later years, this first-year deduction phases down as follows: • 80% for property placed in service in 2023. • 60% for property placed in service in 2024. • 40% for property placed in service in 2025. • 20% for property placed in service in 2026. For certain property with longer production periods and certain aircraft, the phase down is as follows: • 80% for property placed in service in 2024. • 60% for property placed in service in 2025. • 40% for property placed in service in 2026. • 20% for property placed in service in 2027. The definition of *qualified property* is expanded to include certain *qualified film or television productions* and *qualified live theatrical productions*. And while qualified improvement property is removed from the qualified property list in IRC Sec. 168(k), it remains qualified as it is now MACRS property with a recovery period of 20 years or less (see *Real Property—Recovery Period* on Page 2).	An additional (bonus) first-year depreciation deduction of 50% was allowed for *qualified property* placed in service, generally, before 2018. The deduction generally phased down to 40% for property placed in service in 2018, 30% for property placed in service in 2019 and none for property placed in service after 2019. To qualify, the property generally had to be new and be (1) MACRS property with a recovery period of 20 years or less, (2) water utility property, (3) computer software other than computer software covered by IRC Sec. 197 or (4) qualified improvement property.
Luxury Automobile Depreciation Limits Increased	280F	Passenger autos placed in service after 2017	Chapter 8 (throughout)	The annual limit on the amount of depreciation allowed for passenger autos for which bonus depreciation is not claimed for 2018 is $10,000 for the placed-in-service year, $16,000 for the second year, $9,600 for the third year and $5,760 for the fourth and later years. These amounts will be indexed for inflation for autos placed in service after 2018. For passenger autos eligible for bonus depreciation, the increase to the first-year depreciation limit remains $8,000.	2018 amounts were not released but the 2017 applicable amounts were: $3,160 for the placed-in-service year, $5,100 for the second year, $3,050 for the third year and $1,875 for the fourth and later years. Increased limits applied to certain trucks and vans.

[1] References are to the 2018 print edition of the *Federal Depreciation Handbook* (chapter-page). For the 2018 Checkpoint edition, the content is in the referenced chapter.

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Tax Cuts and Jobs Act of 2017 (TCJA) ***Changes Impacting Content in the 2018 Federal Depreciation Handbook***					
Item	***IRC §***	***Effective Date***	***Handbook Pages[1]***	***New Law***	***Before Law Change***
Expensing and Depreciating Property (Continued)					
Farming Equipment—Recovery Period	168(b) and (e)	Property placed in service after 2017	3-4, 3-6–3-7, 3-19–3-21, 4-28, 4-38, 6-3–6-6	The recovery period of new machinery or equipment used in a farming business (other than any grain bin, cotton ginning asset, fence or other land improvement) is five years. Use of the 150% declining balance depreciation method for these assets is no longer required.	The recovery period of such property was seven years and 150% declining balance depreciation was required.
Real Property—Recovery Period	168(e) and (g)	Property placed in service after 2017	3-5–3-7, 3-9, 3-21, 3-26, 4-43, 4-46–4-47, 5-9–5-10, 6-3–6-4, 6-31, 7-16–7-17, 9-3–9-5, 9-19–9-22	The separate definitions of *qualified leasehold improvement*, *qualified restaurant* and *qualified retail improvement property* are eliminated. A 15-year recovery period (20 years for ADS) and straight-line method applies for qualified improvement property. *Qualified improvement property* means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service. In addition, the ADS recovery period for residential rental property is shortened to 30 years.	Qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property were 15-year MACRS property. The ADS recovery period for residential rental property was 40 years.
General Deductions, Exclusions and Credits					
Like-Kind Exchanges	1031	Exchanges completed after 2017	Chapter 11 (throughout)	Like-kind exchanges are allowed only with respect to real property that is not held primarily for sale. However, under a special transition rule, the like-kind exchange rules continue to apply to exchanges of personal property if the taxpayer has either disposed of the relinquished property or acquired the replacement property on or before 12/31/17.	Nontaxable like-kind exchanges were available to exchanges of both real and personal property held for productive use in a trade or business or for investment.
Research and Experimental (R&E) Expenses	174	Amounts paid or incurred in tax years beginning after 2021	13-3, 13-10, 13-20–13-21	Specified R&E expenses must be capitalized and amortized ratably over five years (15 years if R&E is conducted outside of the U.S.). *Specified R&E expenses* include costs for software development and exploration for ore and other minerals.	Taxpayers currently deducted R&E expenses paid or incurred in connection with a trade or business. Alternatively, taxpayers could capitalize their R&E expenditures and amortize them ratably over the useful life of the research (not less than 60 months) or a period of 10 years.

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