

TAX ALERT

The PATH Act Modification That No One is Talking About... But Should Be

The Protecting Americans from Tax Hikes (PATH) Act of 2015 brought about many changes to the tax law, many of which provide substantial opportunities for a wide variety of taxpayers. There has been a significant amount of buzz related to some of the enhancements the PATH Act provided to the R&D tax credit, as well as the renewal of bonus depreciation, and rightfully so. The one modification that no one seems to be talking about is the new category of property entitled “Qualified Improvement Property.”

Why Is “Qualified Improvement Property” A Big Deal?

The main reason qualified improvement property is worth paying attention to is that it provides a new category of property that will be eligible for bonus depreciation. What’s more exciting is the types of property that meet the definition of qualified improvement property. These are items with a 39-year recovery period that have historically been excluded from bonus depreciation. Furthermore, qualified improvement property is defined much broader than other categories of bonus eligible property, such as qualified leasehold improvements or qualified retail property. In short, this new provision will allow taxpayers investing in improvements to real estate a new opportunity for significant tax savings.

What Exactly Is “Qualified Improvement Property?”

The PATH Act defines qualified improvement property as any improvement to an interior portion of a building that is nonresidential real property that is placed in service after the date the building was first placed in service (no more 3-year rule). Such improvements do not need to be pursuant to a lease. Improvements that are excluded as being qualified improvement property include 1) enlargements; 2) elevators/escalators; and 3) internal structural framework.

If you have any questions, or would like to know how GBQ can assist your company in identifying qualified improvement property, please contact:

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