

Provisions of the Tax Cuts and Jobs Act that Affect Building Owners

100% Bonus Depreciation

- Increased bonus depreciation for MACRS property with a recovery period of 20 years or less from 50% to 100% acquired after 9/27/2017 and before 2023. Bonus depreciation rate is then reduced by 20% per year beginning in 2023.
- Bonus depreciation now applicable to new or used property
- This means that nearly every component identified as accelerated in a cost segregation study for a building acquired after 9/27/2017 can be fully depreciated in the first year of service.

Increased Section 179 Expensing

- Limitation increased from \$500,000 to \$1,000,000, phase-out limitation increased to \$2,500,000
- Now includes the following items: roof, HVAC, fire protection & alarm systems, and security systems included in improvements made to non-residential commercial buildings
- Still includes personal property – expanded to include tangible personal property in residential rentals

Qualified Improvement Property

- Qualified Leasehold Improvements, Qualified Retail Improvements, and Qualified Restaurant Property are all replaced with Qualified Improvement Property (QIP).
- Structural items like interior supporting framing, escalators, and elevators are not included in QIP. The improvements must have begun at least one day after the building was placed in service for its intended use.
- Intended to be classified as 15-year property and therefore eligible for bonus depreciation. This was not done due to a technical language error.
 - o This has been corrected by the 2020 CARES Act.

1031 Exchanges - Only Include Real Property

- Personal property (typically 5- or 7-year assets identified in a Cost Segregation Study) can no longer be included in a 1031 Exchange.
- A Cost Segregation Study can be applied on the newly acquired building's depreciable basis to help offset the effects of recapture on the sale of personal property.

Reduced Tax Rates

- Corporate (C-Corp) tax rates reduced to 21% for tax years beginning after 2017
- Individual tax rates reduced slightly with highest federal rates decreasing from 39.6% to 37% through 2025

20% Pass-Through Income Deduction

- Allows individuals, trusts, and estates to deduct up to 20% of their qualified business income through 2025

Net Operating Losses

- Can no longer be carried after back 12/31/2017
- Can be carried forward indefinitely, but carryforward is limited to 80% of income
 - o CARES Act temporarily allows net operating loss carryback for 5 years for losses that occur in 2018, 2019, or 2020
 - o CARES Act allows net operating loss carryforward to offset 100% of income through 2020.



CARES Act

Your business can benefit from the CARES Act legislation.

Net Operating Losses

- Allows for a five-year carryback of NOLs arising in 2018, 2019, and 2020
- Allows NOLs to offset 100% of income
- Impact: When an engineering-based Cost Segregation study is applied, large depreciation deductions may be taken as an NOL in 2019. You can carry back this loss for five years and apply it to the gains made in those years.
- **Result:** When your tax professional applies these calculations to your 2019 return, this would result in a tax refund now providing cash flow in a time of need.
- **Important Note:** The five-year carryback rules require you to go back five years and roll forward from there.
- **Example:** John Smith has income for the past 5 years and a loss in 2019.

	Income	Taxes Paid	Loss Carry Back	Refund Due
2014	\$75,000.00	\$14,606.25	\$(75,000)	\$14,606.25
2015	\$150,000.00	\$35,071.25	\$(150,000.00)	\$35,071.25
2016	\$400,000.00	\$115,529.25	\$(200,000.00)	\$66,000.00
2017	\$350,00.00	\$95,906.75		
2018	\$195,000.00	\$44,089.50		
2019	\$(425,000.00)			
			Total Refund	\$115,677.50

John's immediate tax benefit this year is \$115,677.50.

Qualified Improvement Property

- Corrects Congressional oversight in TCJA and now defines qualified Improvement Property as 15-year property. Any Qualified Improvement Property acquired and placed in-service after 9/27/2017 is eligible for 100% bonus depreciation.
- **Impact:** You can now retroactively apply bonus depreciation to Qualified Improvement Property.

WHY CHOOSE US?

Let CSSI work with you to realize the tax savings opportunities available to you through this new legislation.

This \$2.2 trillion package includes:

An added five-year carryback period and suspended the 80% limitation for 2018, 2019 and 2020 Net Operating Losses.

Using Cost Segregation to increase your cash flow:

With less taxable income, you can increase your company's cash flow significantly. Our cost segregation studies enable you to keep more of the money you make.

During uncertain times:

CSSI has been called on in the past to help building owners increase much needed cash during difficult times. We welcome the opportunity to help you and your business during these uncertain times.

