## Qualified Improvements - Depreciation Quick Reference (updated 5/10/2019)

<table>
<thead>
<tr>
<th>Qualified Improvement Property (QIP): 2018 onward</th>
<th>Applicable PIS Dates (inclusive)</th>
<th>MACRS GDS Recovery Period</th>
<th>Bonus Dep Eligible</th>
<th>3 Year Rule</th>
<th>Unrelated Parties Rule</th>
<th>179 Expense Eligible</th>
<th>Important Notes</th>
<th>Code Section</th>
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<tbody>
<tr>
<td>1/1/18 onward</td>
<td>1/1/18 onward</td>
<td>39 Year / SL</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Applies to interior common areas. Building can be owner occupied. No 3-year rule. See exclusions in definition.</td>
<td>168(e)(6)</td>
</tr>
<tr>
<td>Qualified Improvement Property (QIP): 2016 - 2017</td>
<td>1/1/16 - 12/31/17</td>
<td>39 Year / SL</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Applies to interior common areas. Building can be owner occupied. No 3-year rule. See exclusions in definition.</td>
<td>168(k)(3)</td>
</tr>
<tr>
<td>Qualified Leasehold Improvements (QLI): 2004 - 2017</td>
<td>10/23/04 - 12/31/17</td>
<td>15 Year / SL</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>2010 - 2017</td>
<td>Landlord or lessee can make the interior improvement. See exclusions in definition.</td>
<td>168(e)(6)</td>
</tr>
<tr>
<td>Qualified Leasehold Improvements (QLI): 2001 - 2004 Partial</td>
<td>9/11/01 - 10/22/04</td>
<td>39 Year / SL</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N/A</td>
<td>39 year QLI qualifies for Bonus. Landlord or lessee can make the interior improvement. See exclusions in definition.</td>
<td>168(e)(6)</td>
</tr>
<tr>
<td>Qualified Retail Improvement Property: 2016 - 2017</td>
<td>1/1/16 - 12/31/17</td>
<td>15 Year / SL</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>2010 - 2017</td>
<td>Building can be owner occupied. See exclusions in definition.</td>
<td>168(e)(6)</td>
</tr>
<tr>
<td>Qualified Retail Improvement Property: 2009-2015</td>
<td>1/1/09 - 12/31/15</td>
<td>15 Year / SL</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>2010 - 2017</td>
<td>Building can be owner occupied. See exclusions in definition.</td>
<td>168(e)(6)</td>
</tr>
<tr>
<td>Qualified Restaurant Property: 2009 - 2017</td>
<td>1/1/09 - 12/31/17</td>
<td>15 Year / SL</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>2010 - 2017</td>
<td>Encompasses the entire building structure as well as interior costs. Can be an acquired building.</td>
<td>168(e)(7)</td>
</tr>
<tr>
<td>Qualified Restaurant Property: 2008</td>
<td>1/1/08 - 12/31/08</td>
<td>15 Year / SL</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N/A</td>
<td>Applicable to all improvements attached to building.</td>
<td>168(e)(7)</td>
</tr>
<tr>
<td>Qualified Restaurant Property: 2004-2007</td>
<td>10/23/04 - 12/31/07</td>
<td>15 Year / SL</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N/A</td>
<td>Applicable to all improvements attached to building.</td>
<td>168(e)(7)</td>
</tr>
</tbody>
</table>

### Footnotes:

2. Retail Improvements are not eligible for bonus depreciation unless it meets the criteria for QLI.
4. Improvements that also meet the criteria for QLI are eligible for bonus depreciation. After 2015, improvements that also meet the criteria for QIP are eligible for bonus depreciation. Restaurant property that is acquired 9/28/2017-12/31/2017 is fully expensed (subject to written binding contract rules).
5. Improvements that meet the definition of Qualified Improvement Property and meet the definition of QLI, Qualified Retail Improvements, or Qualified Restaurant Property can be depreciated over a 15-year straight line period.
6. Eligible up to $250k from 2010 - 2015; 2016 and 2017 are subject to normal 179 expense cap.
7. Improvements that meet the definition of Qualified Improvement Property and meet the definition of QLI, Qualified Retail Improvements, or Qualified Restaurant Property qualify for the 179 Expense.
8. Long Production Period (QLIs over $1M and construction period exceeds 1 year) - can be placed in service one year after bonus normally expires. QLI (that is also LPP) started before 1/1/2012 can be entirely eligible for 100% bonus if completed during 2012. Bonus is applicable if LPP is started before 1/1/2027. Only pre-1/1/2027 basis is bonus eligible on any LPP.
9. Legislative committee reports indicate QIP will be 15-year property and bonus eligible. However, the actual law enacted does not reflect the legislative intent. Technical corrections to the law are expected, although the IRS has denied any guarantees of this presumed change in recovery period.
10. Section 179 rules are modified to include certain improvements to buildings. See 179 Expense notes on page 2.
11. Bonus depreciation is available for used property placed in service after 9/27/17, however it is does not apply to the portion where the taxpayer previously had a depreciable interest.
12. Bonus is not available to taxpayers with floor plan financing (motor vehicle, boat, farm machinery) unless they are exempt from business interest limitations.
**Definitions:**

3 Year Rule: The improvements must have been placed in service by any taxpayer more than three years after the date the building was first placed into service.

Leased Between Unrelated Party Qualification: Improvements must be made subject to a lease between unrelated parties (see code section 1504). Can be made by lessees, sub-lessees or lessors to an interior portion of a nonresidential building. Parties are related when there is more than 80% ownership shared between them.

Long Production Period Property: 168(b)(2)(B) - Must have a recovery period of at least 10 years, is subject to section 263A, has an estimated production period exceeding 2 years, or an estimated production period exceeding 1 year and a cost exceeding $1,000,000.

Qualified leasehold improvement property (QLI) 2001-2017: Any improvement to an interior portion of a building which is nonresidential real property if— (i) such improvement is made under or pursuant to a lease (II) by the lessee (or any sublessee) of such portion, or (II) by the lessor of such portion, (iii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and (iii) such improvement is placed in service more than 3 years after the date the building was first placed in service. (B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) any structural component benefiting a common area, and (iv) the internal structural framework of the building.

Qualified retail improvement property 2009-2017: Any improvement to an interior portion of a building which is nonresidential real property if— (i) such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and (ii) such improvement is placed in service more than 3 years after the date the building was first placed in service. QRIP shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) any structural component benefiting a common area, or (iv) the internal structural framework of the building.

Qualified restaurant property 2004-2008: an improvement to a building if— (A) Such improvement is placed in service more than 3 years after the date such building was first placed in service, and (B) more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.

**Footnotes:**

1) In 2018 onward, the Section 179 expense includes improvements to the following non-residential real property that are placed in service after the date such property was first placed in service: roofs, heating, ventilation, and air-conditioning; fire protection and alarm systems; and security systems. 179 expensing does not apply to certain non-corporate lessors. See Sec. 179(d)(5)

Qualified Section 179 property now includes depreciable tangible personal property used to furnish lodging (e.g. residential rental properties, hotels, etc).

2) Any taxable year beginning after 2018, the dollar amounts will be indexed for inflation.

Other notes:

A) Tenant improvements that include costs for HVAC rooftop units are excluded from the definition of Qualified Leasehold Improvements (QLI), Qualified Retail Improvements, and Qualified Improvement Property (CCA 201310028)

B) Restaurant tenant improvements located within a multi-tenant building where 50 percent of the building’s total square footage is not leased to restaurants, do not meet the definition of Qualified Restaurant Property.