

Financial Rescue Package Extends Tax Advantages For Commercial Property Owners

The Emergency Economic Stabilization Act of 2008 has provided some much-needed tax relief to business owners with commercial property. If you are building out your own leased space, making or contributing to tenant improvement projects in your building, or undertaking new construction projects, you may qualify for favorable 15-year depreciation allowances (versus the 39 years that is typically allowed).

Highlights of the new provisions include:

- Extending the 15-year depreciation allowance for **Qualified Leasehold Improvement Property** for two more years to include certain improvements placed in service before January 1, 2010.
- Extending the 15-year depreciation allowance for **Qualified Restaurant Property** for two more years to include certain restaurant improvements placed in service before January 1, 2010.
- Providing a new 15-year property classification, **Qualified Retail Improvement Property**, to include certain retail improvements placed in service after December 31, 2008, and before January 1, 2010.

Don't forget that 50% "bonus" depreciation applies for certain improvements through the end of 2008. At press time, pending legislation may extend this provision for 2009.

As a result of the Economic Stimulus Act of 2008, bonus depreciation has been brought back. As you may recall, bonus depreciation was first introduced in the wake of September 11th and expired at the end of 2004. This bonus depreciation is an additional first year depreciation deduction equal to 50% of the adjusted basis of "qualified property". Qualified property is property that is original use (new) and is acquired and placed in service after December 31, 2007 and before January 1, 2009.

Property that is eligible for bonus depreciation includes:

- Tangible property with a recovery period of 20 years or less
- Purchased computer software
- Water utility property
- Qualified leasehold improvement property

In addition to applying for regular tax purposes, the bonus depreciation deduction is allowed for AMT purposes as well.

If you completed significant capital improvements for existing buildings, or completed a new project in 2008, you may have acquired assets that qualify for bonus depreciation as a part of those improvement costs. If you capitalize the costs of the improvement project as a general building improvement, you may be missing out on a significant opportunity to take advantage of the bonus depreciation. Having a cost segregation study completed will identify those assets which are eligible for bonus depreciation and will allow you to take advantage of this favorable allowance for the filing of your 2008 federal return.

To learn more about these provisions and how they might benefit you, contact a Moss Adams Cost Segregation Services professional.

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