Businesses should review depreciation deductions rules

Businesses should know the tax rules for deducting depreciation on certain property. This deduction can benefit eligible business taxpayers. The Tax Cuts and Jobs Act made changes to the rules around depreciation that will affect many businesses.

First off, businesses should remember they can generally depreciate tangible property, except land. Tangible property includes:

- Buildings
- Machinery
- Vehicles
- Furniture
- Equipment

Here are some of the changes to business depreciation under tax reform:

- Taxpayers can immediately expense more. Businesses may choose to expense the cost of a property and deduct it in the year it is placed in service.

- The maximum deduction increased from $500,000 to $1 million.

- The phase-out limit increased from $2 million to $2.5 million.

- Taxpayers may include improvements made to nonresidential property. The improvements must have been made after the date the property was first placed in service.

  These improvements include:

    - Changes to a building's interior
    - Roofs
    - Heating and air conditioning systems
    - Fire protection systems
    - Alarm and security systems

  Improvements that do not qualify:

    - Enlargement of the building
    - Service to elevators or escalators
    - Internal framework of the building

These changes apply to property placed in service in taxable years beginning after December 31, 2017.