



Tax Newsletter

October, 2016

Business Taxes

Expanded depreciation deductions allowed for improvements to nonresidential real estate.

The PATH Act makes permanent the 15-year depreciation allowance for all qualified improvements to nonresidential real estate. In addition, **bonus depreciation** (50% bonus in the first year) is now available for all improvements meeting the following conditions: (1) The improvements are placed into service after the date the building is placed in service (**3 year waiting period eliminated**), (2) the improvements are for **interior portions of the building**, and (3) the improvements are **not**: made to enlarge the building, add an elevator or escalator, structural components benefitting a common area, or internal structural framework.

In addition, the election to expense rather than capitalize and depreciate certain qualified property (Section 179 election) includes these qualified improvements, up to \$500,000. In addition, the law changes the definition of qualified property to now include heating and air-conditioning units.

Planning Tip

Since qualified improvements can be made immediately after the building is placed into service, rather than after the previously required 3 year waiting period, it is now possible for new construction to qualify. Working with your contractor, it might be possible to build a major portion of a building, place the building into service, and then proceed to construct interior improvements that would qualify for rapid depreciation (50% bonus depreciation, expensing election up to \$500,000 and 15 year, rather than 39 year, depreciation deductions).

In all cases, construction costs need to be identified and separated (building versus qualified improvements) in order to take full advantage of this law change.

Accelerated filing due dates in 2017 (for 2016 tax forms).

W-2 forms are due to the Social Security Administration (and employees) by **January 31**.

1099-Misc forms for non-employee compensation (Box 7) are due to the IRS by **January 31**.

Extensions are available, but no longer automatic. Fines for late filing start at \$50 per form.

Calendar year **Partnership Information returns (Form 1065) are due by March 15** (previously they were due April 15).

Calendar year **C Corporation (Form 1120) returns are due by April 15** (previously they were due March 15).

The due date for **S Corporation (Form 1120-S) returns** remains **unchanged at March 15**.

The information contained in this newsletter is not intended to be a thorough analysis of specific issues, nor is it intended to be tax advice for any business or individual. If you wish to learn more about these or any other tax issues, please contact me for free a consultation.

Harold Eck