

Increased Depreciation Deductions

Auto Dealers will benefit from a few new depreciation rules

Old rules, under Sec. 179 of the tax code, dealers were allowed to immediately expense up to \$500,000 of qualifying property which included pretty much everything except land, buildings and leasehold improvements with a 39 year life.

Under the new rules, dealers can expense up to \$1,000,000 per year. However, if you place more than \$2,500,000 of property in service during the year, the \$1,000,000 expensing privilege is reduced dollar for dollar by the total amount placed in service over \$2,500,000. For example, if you placed in service \$3,000,000 during the year, you can immediately expense \$500,000 under Sec. 179.
($\$3,000,000 - \$2,500,000 = \$500,000$)

More good news: In addition to increasing the annual Sec. 179 limit to \$1,000,000 the new law also added a few new items to the list of property that can be expensed that were previously ineligible for this immediate expensing.

The new items typically found in dealerships that are now eligible for immediate expensing include roofs, HVAC, fire protection and alarms, and security systems.

Some bad news: In the give-and-take negotiations surrounding the deductibility of floor plan interest for auto dealers, we lost the popular 100% Bonus depreciation on all qualifying property, which again includes pretty much everything except land, buildings and leasehold improvements with a 39 year life.

For all of your other businesses that do not have floor plan interest, the 100% bonus depreciation will be available through 2023, then it will go down by 20% each year until it is completely gone at the end of 2027.

If you wish to discuss the impact of these rules on your particular situation, please email me at marc@crumbackassociates.com or give me a call at 443-286-7969