Basisly

Guide 3

Bonus depreciation and cost segregation

How section 168(k) interacts with property classifications, acquisition dates and tax elections.

Updated October 20, 2026 · General information for CPA firms. Not tax, legal or accounting advice.

> **In short**
>
> Public Law 119-21 restored 100 percent additional first-year depreciation under section 168(k) for qualified property acquired and placed in service after January 19, 2025, subject to applicable requirements. The amended rule has no scheduled sunset. It does not make all real estate costs immediately deductible.

How a study can help

One eligible category under section 168(k)(2) is MACRS property with a recovery period of 20 years or less. Properly supported 5-, 7- or 15-year components may meet that category. Classification alone is not enough: acquisition and placed-in-service rules, original-use or qualifying used-property requirements, exclusions and elections must also be satisfied.

The ordinary 27.5-year or 39-year building structure does not qualify through that category. Qualified improvement property has its own definition and exclusions. Section 168(n) provides a separate allowance for certain qualified production property, with different conditions; this guide does not analyze that provision. Section 168(n) requires a separate eligibility analysis.

Dates that affect eligibility

The purchase closing date may not control the acquisition test. Written binding contracts, enforceability, cancellation periods, contingencies and rules for self-constructed property can affect the analysis. Placed in service generally means ready and available for the intended use, which may differ from the purchase date.

Notice 2026-11 provides interim guidance applying existing regulations with modifications. The CPA must assess its reliance conditions and any later guidance, rather than rely on the headline date alone. Property outside the new acquisition rules may remain subject to earlier rules, including phase-down provisions where applicable.

A study performed today does not reset the original acquisition or placed-in-service date and does not make the current bonus rate available for earlier-year property merely because the study is new.

Elections and the practical tax effect

The CPA firm determines whether each component qualifies, whether to elect out where permitted, and whether any transition election is available. Notice 2026-11 addresses an election for a lower percentage for the first taxable year ending after January 19, 2025; it is not a standing choice for every later year.

The firm also evaluates alternative depreciation system requirements, applicable business-use rules and restrictions on used-property acquisitions. Basis, at-risk, passive-activity and other loss limitations may defer or restrict a current tax benefit. Federal and state treatment may differ, and state conformity must be checked for each relevant jurisdiction and year.

Deductions are not guaranteed cash savings

An accelerated deduction generally moves depreciation into an earlier year and reduces future depreciable basis. Its value depends on when the taxpayer can use it, applicable tax rates and later events, including a sale or change in use. A 100 percent bonus rate refers to eligible depreciable basis, not the entire property price, and land is excluded.

An illustration or estimator is not a study, eligibility determination or tax-savings quote. Assumed allocations and rates must be evaluated against the property's evidence and the taxpayer's circumstances. Basisly does not guarantee reclassification amounts, deductions or tax savings.

Frequently asked questions

Does every purchase after January 19, 2025 qualify?

No. The applicable acquisition rules, placed-in-service requirements and all other eligibility conditions must be met. A closing date alone is insufficient.

Can a study establish the bonus rate for an older property?

It can supply supporting classifications and dates. The CPA applies the rules for that property and its relevant years, including any accounting-method-change requirements.

Does Basisly recommend elections?

No. Basisly supplies supporting schedules using the accepted inputs. The CPA firm retains sole professional responsibility and final authorization for elections, advice, positions and filings.

Sources

- IRS Notice 2026-11, sections 2 through 6, discussing section 168(k) as amended by Public Law 119-21, section 70301
- IRS Publication 946, How To Depreciate Property, 2025 edition

General information for CPA firms. Not tax, legal or accounting advice.

- IRS Notice 2026-16, qualified production property under section 168(n)

Sources reviewed October 20, 2026. Law and guidance may change. The IRS audit guide is an examination resource, not an official statement of law or binding IRS authority. No IRS endorsement is implied.

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