

## CARES Cures QIP Quirk

---

**March 27, 2020 – As part of Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Congress has issued some business provisions, which include the technical correction of the life for Qualified Improvement Property.**

### The Mistake

When the Tax Cuts and Jobs Act (“TCJA”) was drafted, the original intent was to change the tax life of QIP to 15-years. By doing so, QIP would automatically qualify for bonus depreciation as it would be a MACRS asset with a tax life of less than 20-years. With this designation, QIP would no longer need to be listed as bonus-eligible. However, they forgot to include this change in the final bill.

### What This Meant

Without a technical correction, this essentially meant that QIP property placed in service after December 31, 2017 was 39-year property that was not eligible for bonus depreciation. QIP was specifically listed as Section 179 property, which provided some relief if a taxpayer qualified to take Section 179.

### The Fix

The changes below in red represent the (very highly) technical correction that was needed in order to correct this error:

Section 168(e)(3)(E) 15-year property:

(v) any section 1245 property (as defined in section 1245(a)(3)) used in the transmission at 69 or more kilovolts of electricity for sale and the original use of which commences with the taxpayer after April 11, 2005, ~~and~~

(vi) any natural gas distribution line the original use of which commences with the taxpayer after April 11, 2005, and which is placed in service before January 1, 2011.,

~~and~~

**(vii) any qualified improvement property.**

Wow! It’s no wonder it took over two years for this to get taken care of!

### The Unknown

The amendment that corrects the life for QIP is effective as if included in section 13204 of Public Law 115–97. The effective date for this Section of the TCJA was for property placed in service after December 31, 2017. So, barring any last-minute revisions to the CARES Act, any QIP placed in service from January 1, 2018 to present should have a 15-year life and be bonus eligible.

The question is how are taxpayers going to make this change? Should they file amended returns, a change in accounting method, or simply catch-up the depreciation in the next year's return? We will have to wait and see. However, for any taxpayer who has QIP property placed in service after January 1, 2018 and has not yet filed their 2019 tax return, the best option would be to wait to see how this is all disseminated before filing the current year's return.

**For more information, please contact [Robert Bauer](#) at [rbauer@dopkins.com](mailto:rbauer@dopkins.com).**