



# BOOK AND TAX DEPRECIATION

The Best of Both Worlds!

Presented by: John Edson, CPA/ABV/CFF, CVA



Smith Schafer & Associates, Ltd.

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Certified Public Accountants and Consultants

## SUGGESTED APPROACH

- **Book Depreciation** – Typically straight line depreciation of the economic useful life of the assets. Life determined on an asset by asset basis.
- **Tax Depreciation** – Based on tax laws and regulations.
  - Assets are classified into different “Class Lives”.  
3,5,7,10,15, 29, 39.5 depending on the type of asset
  - For furniture, fixtures, equipment and vehicles use an accelerated method. More depreciation taken in the first few years and less in the later years of the asset life.

## EXAMPLE

- Equipment cost of \$100,000. Expected 7 year life.
- First year book depreciation \$7,143, second year \$14,280
- First year tax depreciation 14,280, second year \$28,560

You can see that in the first two years the tax depreciation is \$21,417 greater than the book depreciation.

# BONUS DEPRECIATION

- 100% Bonus Depreciation for Qualified Property Placed in service September 28, 2017 – December 31, 2022
- **Qualified Property:**
  - Original Use (NEW) or USED PROPERTY
  - Property which has a recovery period of 20 years or less, water utility property, computer software (other than covered by Sec. 197) or qualified improvement property.

## SECTION 179

- 2018 and later:
  - Section 179 limit is \$1,000,000 with maximum additions of \$2,500,000 before phase-out.
  - The \$1.0 and \$2.5 MM amounts, & \$25,000 SUV are indexed for inflation for taxable years beginning after 2018.

*Expanded definition:*

**Qualified Real Property:** Nonresidential real property placed in service after the date such property was first placed in service including the following: roofs, heating, ventilation, and air-conditioning property, fire protection and alarm systems, and security systems.

Effective for **tax years beginning after December 31, 2017**

Q & A

## CONTACT DETAILS



**JOHN EDSON**  
*Principal*

763-253-1133  
j.edson@smithschafer.com

**The Valuation Team:**

John Edson  
Dean Richards  
Gary Turnquist  
Ben Turnquist



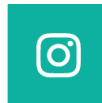
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