

26 U.S. Code § 179 - Election to expense certain depreciable business assets

(a) TREATMENT AS EXPENSES

A taxpayer may elect to treat the cost of any [section 179](#) property as an expense which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which the section 179 property is placed in service.

(b) LIMITATIONS

(1) DOLLAR LIMITATION

The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed \$1,000,000.

(2) REDUCTION IN LIMITATION

The limitation under paragraph (1) for any taxable year shall be reduced (but not below zero) by the amount by which the cost of [section 179](#) property placed in service during such taxable year exceeds \$2,500,000.

(3) LIMITATION BASED ON INCOME FROM TRADE OR BUSINESS

(A) In general

The amount allowed as a deduction under subsection (a) for any taxable year (determined after the application of paragraphs (1) and (2)) shall not exceed the aggregate amount of taxable income of the taxpayer for such taxable year which is derived from the active conduct by the taxpayer of any trade or business during such taxable year.

(B) Carryover of disallowed deduction The amount allowable as a deduction under subsection (a) for any taxable year shall be increased by the lesser of—

(i)

the aggregate amount disallowed under subparagraph (A) for all prior taxable years (to the extent not previously allowed as a deduction by reason of this subparagraph), or

(ii) the excess (if any) of—

(I)

the limitation of paragraphs (1) and (2) (or if lesser, the aggregate amount of taxable income referred to in subparagraph (A)), over

(II)

the amount allowable as a deduction under subsection (a) for such taxable year without regard to this subparagraph.

(C) Computation of taxable income

For purposes of this paragraph, taxable income derived from the conduct of a trade or business shall be computed without regard to the deduction allowable under this section.

(4) MARRIED INDIVIDUALS FILING SEPARATELY In the case of a husband and wife filing separate returns for the taxable year—

(A)

such individuals shall be treated as 1 taxpayer for purposes of paragraphs (1) and (2), and

(B)

unless such individuals elect otherwise, 50 percent of the cost which may be taken into account under subsection (a) for such taxable year (before application of paragraph (3)) shall be allocated to each such individual.

(5) LIMITATION ON COST TAKEN INTO ACCOUNT FOR CERTAIN PASSENGER VEHICLES

(A) In general

The cost of any [sport utility vehicle](#) for any taxable year which may be taken into account under this section shall not exceed \$25,000.

(B) Sport utility vehicle For purposes of subparagraph (A)—

(i) In general The term "[sport utility vehicle](#)" means any 4-wheeled vehicle—

(I)

which is primarily designed or which can be used to carry passengers over public streets, roads, or highways (except any vehicle operated exclusively on a rail or rails),

(II)

which is not subject to section 280F, and

(III)

which is rated at not more than 14,000 pounds gross vehicle weight.

(ii) Certain vehicles excluded Such term does not include any vehicle which—

(I)

is designed to have a seating capacity of more than 9 persons behind the driver's seat,

(II)

is equipped with a cargo area of at least 6 feet in interior length which is an open area or is designed for use as an open area but is enclosed by a cap and is not readily accessible directly from the passenger compartment, or

(III)

has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.

(6) INFLATION ADJUSTMENT

(A) In general In the case of any taxable year beginning after 2018, the dollar amounts in paragraphs (1), (2), and (5)(A) shall each be increased by an amount equal to—

(i)

such dollar amount, multiplied by

(ii)

the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting "calendar year 2017" for "calendar year 2016" in subparagraph (A)(ii) thereof.

(B) Rounding

The amount of any increase under subparagraph (A) shall be rounded to the nearest multiple of \$10,000 (\$100 in the case of any increase in the amount under paragraph (5)(A)).

(c) ELECTION

(1) IN GENERAL An election under this section for any taxable year shall—

(A)

specify the items of section 179 property to which the election applies and the portion of the cost of each of such items which is to be taken into account under subsection (a), and

(B)

be made on the taxpayer's return of the tax imposed by this chapter for the taxable year.

Such election shall be made in such manner as the Secretary may by regulations prescribe.

(2) ELECTION

Any election made under this section, and any specification contained in any such election, may be revoked by the taxpayer with respect to any property, and such revocation, once made, shall be irrevocable.

(d) DEFINITIONS AND SPECIAL RULES

(1) SECTION 179 PROPERTY For purposes of this section, the term “[section 179 property](#)” means property—

(A) which is—

(i)

tangible property (to which [section 168](#) applies), or

(ii)

computer software (as defined in [section 197\(e\)\(3\)\(B\)](#)) which is described in section 197(e)(3)(A)(i) and to which section 167 applies,

(B) which is—

(i)

[section 1245](#) property (as defined in section 1245(a)(3)), or

(ii)

at the election of the taxpayer, [qualified real property](#) (as defined in subsection (e)), and

(C)

which is acquired by [purchase](#) for use in the active conduct of a trade or business. Such term shall not include any property described in [section 50\(b\)](#) (other than paragraph (2) thereof).

(2) PURCHASE DEFINED For purposes of paragraph (1), the term “[purchase](#)” means any acquisition of property, but only if—

(A)

the property is not acquired from a person whose relationship to the person acquiring it would result in the disallowance of losses under section [267](#) or [707\(b\)](#) (but, in applying section 267(b) and (c) for purposes of this section, paragraph (4) of section 267(c) shall be treated as providing that the family of an individual shall include only his spouse, ancestors, and lineal descendants),

(B)

the property is not acquired by one component member of a [controlled group](#) from another component member of the same [controlled group](#), and

(C) the basis of the property in the hands of the person acquiring it is not determined—

(i)

in whole or in part by reference to the adjusted basis of such property in the hands of the person from whom acquired, or

(ii)

under section 1014(a) (relating to property acquired from a decedent).

(3) Cost

For purposes of this section, the cost of property does not include so much of the basis of such property as is determined by reference to the basis of other property held at any time by the person acquiring such property.

(4) SECTION NOT TO APPLY TO ESTATES AND TRUSTS

This section shall not apply to estates and trusts.

(5) SECTION NOT TO APPLY TO CERTAIN NONCORPORATE LESSORS This section shall not apply to any [section 179](#) property which is purchased by a person who is not a corporation and with respect to which such person is the lessor unless—

(A)

the property subject to the lease has been manufactured or produced by the lessor, or

(B)

the term of the lease (taking into account options to renew) is less than 50 percent of the class life of the property (as defined in section 168(i)(1)), and for the period consisting of the first 12 months after the date on which the property is transferred to the lessee the sum of the deductions with respect to such property which are allowable to the lessor solely by reason of section 162 (other than rents and reimbursed amounts with respect to such property) exceeds 15 percent of the rental income produced by such property.

(6) DOLLAR LIMITATION OF CONTROLLED GROUP For purposes of subsection (b) of this section—

(A)

all component members of a [controlled group](#) shall be treated as one taxpayer, and

(B)

the Secretary shall apportion the dollar limitation contained in subsection (b)(1) among the component members of such [controlled group](#) in such manner as he shall by regulations prescribe.

(7) CONTROLLED GROUP DEFINED

For purposes of paragraphs (2) and (6), the term “[controlled group](#)” has the meaning assigned to it by section 1563(a), except that, for such purposes, the phrase “more than 50 percent” shall be substituted for the phrase “at least 80 percent” each place it appears in section 1563(a)(1).

(8) TREATMENT OF PARTNERSHIPS AND S CORPORATIONS

In the case of a partnership, the limitations of subsection (b) shall apply with respect to the partnership and with respect to each partner. A similar rule shall apply in the case of an S corporation and its shareholders.

(9) COORDINATION WITH SECTION 38

No credit shall be allowed under [section 38](#) with respect to any amount for which a deduction is allowed under subsection (a).

(10)RECAPTURE IN CERTAIN CASES

The Secretary shall, by regulations, provide for recapturing the benefit under any deduction allowable under subsection (a) with respect to any property which is not used predominantly in a trade or business at any time.

(e)QUALIFIED REAL PROPERTYFor purposes of this section, the term “[qualified real property](#)” means—

(1)

any qualified improvement property described in section 168(e)(6), and

(2)any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service:

(A)

Roofs.

(B)

Heating, ventilation, and air-conditioning property.

(C)

Fire protection and alarm systems.

(D)

Security systems.