

NRCA Applauds New Expensing Rules for Roofs in New Tax Law

Complete Tax Write Off

NRCA is extremely pleased that the Tax Cuts and Jobs Act expands the definition of qualified real property eligible for full expensing under Section 179 of the tax code to include improvements to nonresidential roofs. This is a major victory for NRCA, as it is the result of years of efforts to educate lawmakers regarding the economic benefits of improved tax treatment of roofs.

NRCA members may wish to consider being proactive in informing customers and other industry participants about this provision in the new tax law during 2018. Following is detailed information about Section 179 and the provision to add nonresidential roofs as qualifying property under the Tax Cuts and Jobs Act signed into law Dec. 22, 2017.

Section 179

Section 179 allows taxpayers to immediately expense the cost of qualifying property rather than recovering such costs over multiple years through depreciation. The Tax Cuts and Jobs Act significantly expands the expensing limits under Section 179, with the maximum amount a business may expense now set at \$1 million and the phase-out threshold increasing to \$2.5 million. These new limits are effective for qualifying property placed in service in taxable years beginning after Dec. 31, 2017, and the amounts will be indexed for inflation starting in 2019.

Addition of Roofs as Qualifying Property

In addition to expanding the amounts that may be expensed, the Tax Cuts and Jobs Act expands the definition of qualified real property eligible for Section 179. As of Jan. 1, 2018, qualifying property for Section 179 includes "improvements to nonresidential real property placed in service after the date such property was first placed in service: roofs; heating, ventilation, and air-conditioning property; fire protection and alarm systems; and security systems."

Given these changes to Section 179 by the Tax Cuts and Jobs Act, qualifying taxpayers (generally small and mid-sized businesses) may now elect to fully expense the cost of any improvements to nonresidential roofs beginning in 2018 and in future years. Essentially, any improvements to nonresidential roofs, including full reroofs of existing buildings, now may be expensed in the year of purchase by any taxpayer eligible to deduct expenses under Section 179.

NRCA members may wish to consider strategies to inform existing and potential customers of this new, more favorable tax treatment for nonresidential roofs. For more information about the benefits of Section 179, NRCA recommends contacting a tax professional.

Following is the actual language from the new law and conference report accompanying the law as it was approved by Congress:

Summary from the Joint Explanatory Statement regarding keeping the Senate amendment that expands Section 179 to include roofs:

C. Small Business Reforms

1. Expansion of section 179 expensing (sec. 3201 of the House bill, sec. 13101 of the Senate amendment, and sec. 179 of the Code)

The provision increases the maximum amount a taxpayer may expense under section 179 to \$1,000,000, and increases the phase-out threshold amount to \$2,500,000. Thus, the provision provides that the maximum amount a taxpayer may expense, for taxable years beginning after 2017, is \$1,000,000 of the cost of qualifying property placed in service for the taxable year. The \$1,000,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds \$2,500,000. The \$1,000,000 and \$2,500,000 amounts, as well as the \$25,000 sport utility vehicle limitation, are indexed for inflation for taxable years beginning after 2018.

The provision expands the definition of section 179 property to include certain depreciable tangible personal property used predominantly to furnish lodging or in connection with furnishing lodging. The provision also expands the definition of qualified real property eligible for section 179 expensing to include any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service: roofs; heating, ventilation, and air-conditioning property; fire protection and alarm systems; and security systems.

Effective date.—The provision applies to property placed in service in taxable years beginning after December 31, 2017.

Conference Agreement

The conference agreement follows the Senate amendment.

Actual legislative text referring to including roofs in section 179 expensing:

PART II—SMALL BUSINESS REFORMS

SEC. 13101. MODIFICATIONS OF RULES FOR EXPENSING DEPRECIABLE BUSINESS ASSETS.

...(b) Section 179 Property To Include Qualified Real Property.—

(1) IN GENERAL.—Subparagraph (B) of section 179(d)(1) is amended to read as follows:

"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 sub section (f)), and".

(2) QUALIFIED REAL PROPERTY DEFINED.— Subsection (f) of section 179 is amended to read as follows:

"f) QUALIFIED REAL PROPERTY.—For 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."

(c) REPEAL OF EXCLUSION FOR CERTAIN PROPERTY.—The last sentence of section 179(d)(1) is amended by inserting "(other than paragraph (2) thereof)" after "section 50(b)".

d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2017.

[Click here to read the bill.](#) (PDF)