Release Bulletin

Release 2017.01
January 2018

CCH® Fixed Assets Manager Version 2017.01

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This bulletin contains important information about the 2017.01 release of CCH® Fixed Assets Manager™ (FAM). For the full list of new and existing considerations for this release, launch the product and go to Help, Release Considerations from the main menu.

Please review this bulletin carefully. Installation and upgrade instruction can be found in the FADocuments folder of your electronic download.

If you have any questions, contact the Support Team at 800-739-9998 Option 5, then Option 2.

Tax Legislation

2017 Tax Year Forms available in this release:

- Form 4797 Sales of Business Property
- Form 6252 Installment Sale Income

Section 179 - The overall Code Sec. 179 expensing dollar limitation is increased to $1 million, and the investment limitation is increased to $2.5 million, effective for property placed in service in tax years beginning after December 31, 2017. These increases are permanent and will be inflation-adjusted for tax years beginning after 2018.

The state books have been updated with the most recent expensing and investment limitations as of this release date.

Bonus Depreciation —For qualified property acquired after September 27, 2017, the bonus depreciation rate is 100 percent and phased-out as follows:

- 100 percent for property placed in service after September 27, 2017 and before January 1, 2023
- 80 percent for property placed in service after December 31, 2022 and before January 1, 2024
- 60 percent for property placed in service after December 31, 2023 and before January 1, 2025
- 40 percent for property placed in service after December 31, 2024 and before January 1, 2026
- 20 percent for property placed in service after December 31, 2025 and before January 1, 2027
- 0 percent (bonus expires) for property placed in service after December 31, 2026

Property acquired before September 28, 2017 is subject to the 50 percent rate if placed in service in 2017, a 40 percent rate if placed in service in 2018, and a 30 percent rate if placed in service in 2019. Property acquired before September 28, 2017 and placed in service after 2019 is not eligible for bonus depreciation.

The first-year depreciation cap on a passenger vehicle that is subject to the annual depreciation limitations of Code Sec. 280F because its gross vehicle rate rating does not exceed 6,000 pounds is increased by $8,000 if 100 bonus depreciation is claimed. This is the same increase that applies when bonus depreciation is claimed at a 50 percent rate. The scheduled decrease in the $8,000 bump-up to $6,400 in 2018 and $4,800 in 2019 to reflect the formerly scheduled decreases in the bonus rate from 50 percent to 40 percent in 2018 and to 30 percent in 2019 will only apply to vehicles acquired before September 28, 2017 and placed in service after September 27, 2017

Qualified Improvement Property – A 15-year recovery period (and bonus depreciation) will apply to this type of property when placed in service after December 31, 2017 only if the definitional requirements of 15-year qualified improvement property are satisfied. The final bill, according to the Conference Report on H.R. 1, Tax Cuts and Jobs Act (H. Rept. 115-466) sets a 15-year recovery period for qualified improvement property. However, the text of the final bill omits the provision which would have given a 15-year recovery period for qualified improvement property. A technical correction will be needed to create a 15-year recovery period for qualified improvement property and all such property. In the absence of such a correction this property should be treated as 39-year nonresidential real property, effective for property placed in service after December 31, 2017 (no acquisition date requirement applies).

100% Bonus for Autos/Trucks and Vans—There is no depreciation deductions after the first recovery year if 100 percent bonus is claimed, unless the IRS provides safe harbor.

When Congress last enacted a 100 percent bonus rate for property acquired after September 8, 2010 and placed in service before January 1, 2012 in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, an unforeseen consequence was that taxpayers claiming the 100 percent bonus deduction on a vehicle were limited to a deduction equal to the first-year cap amount and could not claim any further depreciation deductions until after the end of the vehicle's regular recovery period. This is because (1) the basis of qualified property is reduced by the full amount of depreciation, including the bonus and section 179 allowance, without regard to the caps and (2) depreciation deductions that are disallowed by the depreciation caps (including bonus depreciation) are deferred until after the end of the vehicle's recovery period (Code Sec. 280F(a)(1)(B)).

Import to Create Books – This import will allow books to be assigned to one or many entities through import, rather than manual assignment by individual or all entities. The book type must exist before the book can be assigned to an entity.

Required fields for this import; Entity, Create Book Name, and Book Type. You must reapply asset types along with using this import. You will have the option to choose to reapply asset types as part of the import or will be required to reapply asset types before invoking any another transaction, including calculation.

Import to Update Book Types – This import will update the options on book types.

> Continue Depreciating asset if remaining basis at life end
> Method to Switch method of non-MACRS asset when advantageous
> Amount to fully depreciate asset if current depreciation falls below
> Apply luxury auto limits*
> Apply federal mid-quarter convention test *
> Disaster Property
>
> ITC Basis Adjustment*
>
> Override bonus election default
> Override bonus percentage (system state books only)

*The import will not update the mandatory selected fields of 'Apply luxury auto limits', Apply federal mid-quarter convention test', and 'ITC Basis Adjustment' to the system tax books Federal, Alt Min and ACE.

It is important to remember Book Types can be used by more than one entity and making changes to an option will affect all entities using that book type.

Import to Update Entity Setup Section 179 – This import will update the options on the Section 179 tab of entity setup.

> Section 179
> Book Type Name
> Business Income Limitation
> Reported on Sch K-1 1065
> Reported on Sch K-1 1120S
> Qualified Enterprise Zone

It is important to remember Section 179 updates are not year specific, but are entity specific. Updating the current year choice for Sec 179 or QEZ and then reverse closing will use the options you have just imported if you calculate.

Qualified Improvement Property (Qualified Bonus Property) – To add this new asset type to your database from the Toolbar select Tools/Asset Types/Setup. The beginning date for this asset type is 1/1/2016. For the Federal book the method, convention and life are MSL/MM 39 year. Refer to the asset type for additional book attributes.

2017 CCH Prosystem Fx DP 7-8 – This txt file exports the summary form 4562 data through the TDIN.exe to the Prosystem Fx tax product for system state books and user defined books. To locate this export, from the Toolbar, select File/Print. The DP 7-8 is located in the Compliance Folder.

Qualified Indian Reservation Property (QIRP) – Congress did not extend the end date of QIRP for 3, 5,7,10, 15, 20 year lives and non-residential real property, the expiration date is 12/31/2016. If you have assigned these asset types to property acquired or placed in service in 2017 you will notice on the Asset Type field of Asset Input the Asset Type is blank and on the Depreciation Export 'Asset Type has been removed.' You should assign these assets to a suitable Common or MACRS Class Lives asset type.

Canadian Class 53 – Class 53 - 50%, Machinery and Equipment after 2015 and before 2026, half year and prorate. To add Class 53 to your Canadian Income Tax Class accounting information field, from the Toolbar, select Tools/Canadian Tax/Tax Selection. From the list of Available Tax Classes, select Class 53 and add it to the Selected Tax Classes list.

Software Resolutions

Fixed Assets Report – The Depreciation Export and the Fixed Assets Report correctly reconcile between each other when run for book or period data.

Create Asset By Asset Type – When an asset type has a blank book type tab for beginning and ending dates, method, convention and life, the import will correctly import a new asset's data to the assigned book in asset input.