Definitions

(a) Definitions. For purposes of section 168 and the regulations under section 168, the following definitions apply:

(1) Depreciable property is property that is of a character subject to the allowance for depreciation as determined under section 167 and the regulations under section 167.

(2) MACRS property is tangible, depreciable property that is placed in service after December 31, 1986 (or after July 31, 1986, if the taxpayer made an election under section 203(a)(1)(B) of the Tax Reform Act of 1986; 100 Stat. 2143) and subject to section 168, except for property excluded from the application of section 168 as a result of section 168(f) or as a result of a transitional rule.

(3) Unadjusted depreciable basis is the basis of property for purposes of section 1011 without regard to any adjustments described in section 1016(a)(2) and (3). This basis reflects the reduction in basis for the percentage of the taxpayer's use of property for the taxable year other than in the taxpayer's trade or business (or for the production of income), for any portion of the basis the taxpayer properly elects to treat as an expense under section 179, section 179C, section 181, or any similar provision, and for any adjustments to basis provided by other provisions of the Internal Revenue Code and the regulations under the Code (other than section 1016(a)(2) and (3)) (for example, a reduction in basis by the amount of the disabled access credit pursuant to section 44(d)(7)). For property subject to a lease, see section 167(c)(2).

(4) Adjusted depreciable basis is the unadjusted depreciable basis of the property, as defined in §1.168(b)-1(a)(3), less the adjustments described in section 1016(a)(2) and (3).

(5) Qualified improvement property.

(i) Is any improvement that is section 1250 property to an interior portion of a building, as defined in §1.48-1(e)(1), that is nonresidential real property, as defined in section 168(e)(2)(B), if the improvement is placed in service by the taxpayer after the date the building was first placed in service by any person and if-

(A) For purposes of section 168(e)(6), the improvement is made by the taxpayer and is placed in service by the taxpayer after December 31, 2017;

(B) For purposes of section 168(k)(3) as in effect on the day before amendment by section 13204(a)(4)(B) of the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)) ("Act"), the improvement is acquired by the taxpayer before September 28, 2017, the improvement is placed in service by the taxpayer before January 1, 2018,
and the improvement meets the original use requirement in section 168(k)(2)(A)(ii) as in effect on the day before amendment by section 13201(c)(1) of the Act; or

(C) For purposes of section 168(k)(3) as in effect on the day before amendment by section 13204(a)(4)(B) of the Act, the improvement is acquired by the taxpayer after September 27, 2017; the improvement is placed in service by the taxpayer after September 27, 2017, and before January 1, 2018; and the improvement meets the requirements in section 168(k)(2)(A)(ii) as amended by section 13201(c)(1) of the Act; and

(ii) Does not include any qualified improvement for which an expenditure is attributable to-

(A) The enlargement, as defined in §1.48-12(c)(10), of the building;

(B) Any elevator or escalator, as defined in §1.48-1(m)(2); or

(C) The internal structural framework, as defined in §1.48-12(b)(3)(iii), of the building.

(b) Applicability date.

(1) In general. Except as provided in paragraph (b)(2) of this section, this section is applicable on or after February 27, 2004.

(2) Application of paragraph (a)(5) of this section and addition of "section 181" in paragraph (a)(3) of this section.

(i) In general. Except as provided in paragraphs (b)(2)(ii) through (iv) of this section, paragraph (a)(5) of this section and the language "section 181," in the second sentence in paragraph (a)(3) of this section are applicable on or after September 24, 2019.

(ii) Early application of paragraph (a)(5) of this section and addition of "section 181" in paragraph (a)(3) of this section. A taxpayer may choose to apply paragraph (a)(5) of this section and the language "section 181," in the second sentence in paragraph (a)(3) of this section for the taxpayer's taxable years ending on or after September 28, 2017.

(iii) Early application of regulation project REG-104397-18. A taxpayer may rely on the provisions of paragraph (a)(5) of this section in regulation project REG-104397-18 (2018-41 I.R.B 558) (see § 601.601(d)(2)(ii)(b) of this chapter) for the taxpayer's taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes September 24, 2019.

(iv) Addition of language in paragraph (a)(5)(i)(A) of this section. The language "is made by the taxpayer and" in paragraph (a)(5)(i)(A) of this section applies to property placed in service by the taxpayer after December 31, 2017.