

Whether you are a landlord or a tenant, some of the leasehold improvements that you make (within the window period described below) qualify for a favorable depreciation rule that doesn't apply to most other improvements to real property.

Specifically, for improvements that are "qualified leasehold improvement property" placed in service after October 22, 2004 and before January 1, 2008, depreciation deductions are allowed over a 15-year period. This treatment provides considerable relief from the general rule that depreciation deductions for non-residential buildings, or improvements to the buildings, are allowed over a 39-year period.

Many, but not all, improvements made under a lease meet the requirements for being qualified leasehold improvement property. These requirements include, but aren't limited to, the requirements that the improvements not enlarge the building, not be attributable to internal structural framework and not be placed in service three years or sooner after the building was first placed in service. I'm available to help you determine whether any improvements that you have in mind meet the requirements. There are some improvements that, although attached to the building, are, for depreciation purposes, considered to be machinery or equipment and, thus, qualify for depreciation periods considerably shorter than 15 years.