

26 U.S. Code § 168 - Accelerated cost recovery system

(b) APPLICABLE DEPRECIATION METHOD For purposes of this section—

(1) IN GENERAL Except as provided in paragraphs (2) and (3), the applicable depreciation method is—

- (A)** the 200 percent declining balance method,
- (B)** switching to the straight line method for the 1st taxable year for which using the straight line method with respect to the adjusted basis as of the beginning of such year will yield a larger allowance.

(2) 150 PERCENT DECLINING BALANCE METHOD IN CERTAIN CASES Paragraph (1) shall be applied by substituting “150 percent” for “200 percent” in the case of—

- (A)** any 15-year or 20-year property not referred to in paragraph (3),
- (B)** any property (other than property described in paragraph (3)) which is a qualified smart electric meter or qualified smart electric grid system, or
- (C)** any property (other than property described in paragraph (3)) with respect to which the taxpayer elects under paragraph (5) to have the provisions of this paragraph apply.

(3) PROPERTY TO WHICH STRAIGHT LINE METHOD APPLIES The applicable depreciation method shall be the straight line method in the case of the following property:

- (A)** Nonresidential real property.
- (B)** Residential rental property.
- (C)** Any railroad grading or tunnel bore.
- (D)** Property with respect to which the taxpayer elects under paragraph (5) to have the provisions of this paragraph apply.
- (E)** Property described in subsection (e)(3)(D)(ii).
- (F)** Water utility property described in subsection (e)(5).
- (G)** Qualified improvement property described in subsection (e)(6).

(4) SALVAGE VALUE TREATED AS ZERO

Salvage value shall be treated as zero.

(5) ELECTION

An election under paragraph (2)(D) or (3)(D) may be made with respect to 1 or more classes of property for any taxable year and once made with respect to any class shall apply to all property in such class placed in service during such taxable year. Such an election, once made, shall be irrevocable.

(e) CLASSIFICATION OF PROPERTY For purposes of this section—

(1) IN GENERAL

Except as otherwise provided in this subsection, property shall be classified under the following table:

Property shall be treated as:	If such property has a class life (in years) of:
3-year property	4 or less
5-year property	More than 4 but less than 10
7-year property	10 or more but less than 16

Property shall be treated as:	If such property has a class life (in years) of:
10-year property	16 or more but less than 20
15-year property	20 or more but less than 25
20-year property	25 or more.

(2) RESIDENTIAL RENTAL OR NONRESIDENTIAL REAL PROPERTY

(A) Residential rental property

(i) Residential rental property

The term “residential rental property” means any building or structure if 80 percent or more of the gross rental income from such building or structure for the taxable year is rental income from dwelling units.

(ii) Definitions For purposes of clause (i)—

(I) the term “dwelling unit” means a house or apartment used to provide living accommodations in a building or structure, but does not include a unit in a hotel, motel, or other establishment more than one-half of the units in which are used on a transient basis, and

(II) if any portion of the building or structure is occupied by the taxpayer, the gross rental income from such building or structure shall include the rental value of the portion so occupied.

(B) Nonresidential real property The term “nonresidential real property” means section 1250 property which is not—

(i) residential rental property, or

(ii) property with a class life of less than 27.5 years.

(3) CLASSIFICATION OF CERTAIN PROPERTY

(A) 3-year property The term “3-year property” includes—

(i) any race horse—

(I) which is placed in service before January 1, 2018, and

(II) which is placed in service after December 31, 2017, and which is more than 2 years old at the time such horse is placed in service by such purchaser,

(ii) any horse other than a race horse which is more than 12 years old at the time it is placed in service, and

(iii) any qualified rent-to-own property.

(B) 5-year property The term “5-year property” includes—

(i) any automobile or light general purpose truck,

(ii) any semi-conductor manufacturing equipment,

(iii) any computer-based telephone central office switching equipment,

(iv) any qualified technological equipment,

(v) any section 1245 property used in connection with research and experimentation,

(vi) any property which—

(I) is described in subparagraph (A) of section 48(a)(3) (or would be so described if “solar or wind energy” were substituted for

“solar energy” in clause (i) thereof and the last sentence of such section did not apply to such subparagraph),
(II) is described in paragraph (15) of section 48(l) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) and is a qualifying small power production facility within the meaning of section 3(17)(C) of the Federal Power Act (16 U.S.C. 796(17)(C)), as in effect on September 1, 1986, or
(III) is described in section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), and

(vii) any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) which is used in a farming business (as defined in section 263A(e)(4)), the original use of which commences with the taxpayer after December 31, 2017.

Nothing in any provision of law shall be construed to treat property as not being described in clause (vi)(I) (or the corresponding provisions of prior law) by reason of being public utility property (within the meaning of section 48(a)(3)).

(C) 7-year property The term “7-year property” includes—

- (i) any railroad track, and ^[2]
- (ii) any motorsports entertainment complex,
- (iii) any Alaska natural gas pipeline,
- (iv) any natural gas gathering line the original use of which commences with the taxpayer after April 11, 2005, and
- (v) any property which—
 - (I) does not have a class life, and
 - (II) is not otherwise classified under paragraph (2) or this paragraph.

(D) 10-year property The term “10-year property” includes—

- (i) any single purpose agricultural or horticultural structure (within the meaning of subsection (i)(13)),
- (ii) any tree or vine bearing fruit or nuts,
- (iii) any qualified smart electric meter, and
- (iv) any qualified smart electric grid system.

(E) 15-year property The term “15-year property” includes—

- (i) any municipal wastewater treatment plant,
- (ii) any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications,
- (iii) any section 1250 property which is a retail motor fuels outlet (whether or not food or other convenience items are sold at the outlet),
- (iv) initial clearing and grading land improvements with respect to gas utility property,
- (v) any section 1245 property (as defined in section 1245(a)(3)) used in the transmission at 69 or more kilovolts of electricity for sale and the

original use of which commences with the taxpayer after April 11, 2005,
and

(vi) any natural gas distribution line the original use of which commences with the taxpayer after April 11, 2005, and which is placed in service before January 1, 2011.

(F) 20-year property

The term “20-year property” means initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant.

(4) RAILROAD GRADING OR TUNNEL BORE

The term “railroad grading or tunnel bore” means all improvements resulting from excavations (including tunneling), construction of embankments, clearings, diversions of roads and streams, sodding of slopes, and from similar work necessary to provide, construct, reconstruct, alter, protect, improve, replace, or restore a roadbed or right-of-way for railroad track.

(5) WATER UTILITY PROPERTY The term “water utility property” means property—

(A) which is an integral part of the gathering, treatment, or commercial distribution of water, and which, without regard to this paragraph, would be 20-year property, and

(B) any municipal sewer.

(6) QUALIFIED IMPROVEMENT PROPERTY

(A) In general

The term “qualified improvement property” means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

(B) Certain improvements not included Such term shall not include any improvement for which the expenditure is attributable to—

(i) the enlargement of the building,

(ii) any elevator or escalator, or

(iii) the internal structural framework of the building.

(g) ALTERNATIVE DEPRECIATION SYSTEM FOR CERTAIN PROPERTY

(1) IN GENERAL In the case of—

(A) any tangible property which during the taxable year is used predominantly outside the United States,

(B) any tax-exempt use property,

(C) any tax-exempt bond financed property,

(D) any imported property covered by an Executive order under paragraph (6),

(E) any property to which an election under paragraph (7) applies,

(F) any property described in paragraph (8), and

(G) any property with a recovery period of 10 years or more which is held by an electing farming business (as defined in section 163(j)(7)(C)),

the depreciation deduction provided by section 167(a) shall be determined under the alternative depreciation system.

(2) ALTERNATIVE DEPRECIATION SYSTEM For purposes of paragraph (1), the alternative depreciation system is depreciation determined by using—

- (A) the straight line method (without regard to salvage value),
- (B) the applicable convention determined under subsection (d), and
- (C) a recovery period determined under the following table:

In the case of:	The recovery period shall be:
(i) Property not described in clause (ii) or (iii)	The class life.
(ii) Personal property with no class life	12 years.
(iii) Residential rental property	30 years
(iv) Nonresidential real property	40 years
(v) Any railroad grading or tunnel bore or water utility property	50 years

(3) SPECIAL RULES FOR DETERMINING CLASS LIFE

(A) Tax-exempt use property subject to lease

In the case of any tax-exempt use property subject to a lease, the recovery period used for purposes of paragraph (2) shall (notwithstanding any other subparagraph of this paragraph) in no event be less than 125 percent of the lease term.

(B) Special rule for certain property assigned to classes

For purposes of paragraph (2), in the case of property described in any of the following subparagraphs of subsection (e)(3), the class life shall be determined as follows:

If property is described in subparagraph:	The class life is:
(A)(iii)	4
(B)(ii)	5
(B)(iii)	9.5
(B)(vii)	10
(C)(i)	10
(C)(iii)	22
(C)(iv)	14
(D)(i)	15
(D)(ii)	20
(D)(v)	20
(E)(i)	24
(E)(ii)	24
(E)(iii)	20
(E)(iv)	20
(E)(v)	30
(E)(vi)	35
(F)	25

(C) Qualified technological equipment

In the case of any qualified technological equipment, the recovery period used for purposes of paragraph (2) shall be 5 years.

(D) Automobiles, etc.

In the case of any automobile or light general purpose truck, the recovery period used for purposes of paragraph (2) shall be 5 years.

(E) Certain real property

In the case of any section 1245 property which is real property with no class life, the recovery period used for purposes of paragraph (2) shall be 40 years.

(4) EXCEPTION FOR CERTAIN PROPERTY USED OUTSIDE UNITED STATES Subparagraph (A) of paragraph (1) shall not apply to—

(A) any aircraft which is registered by the Administrator of the Federal Aviation Agency and which is operated to and from the United States or is operated under contract with the United States;

(B) rolling stock which is used within and without the United States and which is—

(i) of a rail carrier subject to part A of subtitle IV of title 49, or

(ii) of a United States person (other than a corporation described in clause (i)) but only if the rolling stock is not leased to one or more foreign persons for periods aggregating more than 12 months in any 24-month period;

(C) any vessel documented under the laws of the United States which is operated in the foreign or domestic commerce of the United States;

(D) any motor vehicle of a United States person (as defined in section 7701(a)(30)) which is operated to and from the United States;

(E) any container of a United States person which is used in the transportation of property to and from the United States;

(F) any property (other than a vessel or an aircraft) of a United States person which is used for the purpose of exploring for, developing, removing, or transporting resources from the outer Continental Shelf (within the meaning of section 2 of the Outer Continental Shelf Lands Act, as amended and supplemented; (43 U.S.C. 1331));

(G) any property which is owned by a domestic corporation (other than a corporation which has an election in effect under section 936) or by a United States citizen (other than a citizen entitled to the benefits of section 931 or 933) and which is used predominantly in a possession of the United States by such a corporation or such a citizen, or by a corporation created or organized in, or under the law of, a possession of the United States;

(H) any communications satellite (as defined in section 103(3) of the Communications Satellite Act of 1962, 47 U.S.C. 702(3)), or any interest therein, of a United States person;

(I) any cable, or any interest therein, of a domestic corporation engaged in furnishing telephone service to which section 168(i)(10)(C) applies (or of a wholly owned domestic subsidiary of such a corporation), if such cable is part of a submarine cable system which constitutes part of a communication link exclusively between the United States and one or more foreign countries;

(J) any property (other than a vessel or an aircraft) of a United States person which is used in international or territorial waters within the northern portion of

the Western Hemisphere for the purpose of exploring for, developing, removing, or transporting resources from ocean waters or deposits under such waters;

(K) any property described in section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) which is owned by a United States person and which is used in international or territorial waters to generate energy for use in the United States; and

(L) any satellite (not described in subparagraph (H)) or other spacecraft (or any interest therein) held by a United States person if such satellite or other spacecraft was launched from within the United States.

For purposes of subparagraph (J), the term “northern portion of the Western Hemisphere” means the area lying west of the 30th meridian west of Greenwich, east of the international dateline, and north of the Equator, but not including any foreign country which is a country of South America.

(5) TAX-EXEMPT BOND FINANCED PROPERTY For purposes of this subsection—

(A) In general

Except as otherwise provided in this paragraph, the term “tax-exempt bond financed property” means any property to the extent such property is financed (directly or indirectly) by an obligation the interest on which is exempt from tax under section 103(a).

(B) Allocation of bond proceeds

For purposes of subparagraph (A), the proceeds of any obligation shall be treated as used to finance property acquired in connection with the issuance of such obligation in the order in which such property is placed in service.

(C) Qualified residential rental projects

The term “tax-exempt bond financed property” shall not include any qualified residential rental project (within the meaning of section 142(a)(7)).

(6) IMPORTED PROPERTY

(A) Countries maintaining trade restrictions or engaging in discriminatory acts If the President determines that a foreign country—

(i) maintains nontariff trade restrictions, including variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements, or

(ii) engages in discriminatory or other acts (including tolerance of international cartels) or policies unjustifiably restricting United States commerce,

the President may by Executive order provide for the application of paragraph (1)(D) to any article or class of articles manufactured or produced in such foreign country for such period as may be provided by such Executive order. Any period specified in the preceding sentence shall not apply to any property ordered before (or the construction, reconstruction, or erection of which began before) the date of the Executive order unless the President determines an earlier date to be in the public interest and specifies such date in the Executive order.

(B) Imported property For purposes of this subsection, the term “imported property” means any property if—

- (i) such property was completed outside the United States, or
- (ii) less than 50 percent of the basis of such property is attributable to value added within the United States.

For purposes of this subparagraph, the term “United States” includes the Commonwealth of Puerto Rico and the possessions of the United States.

(7) ELECTION TO USE ALTERNATIVE DEPRECIATION SYSTEM

(A) In general

If the taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, the alternative depreciation system under this subsection shall apply to all property in such class placed in service during such taxable year. Notwithstanding the preceding sentence, in the case of nonresidential real property or residential rental property, such election may be made separately with respect to each property.

(B) Election irrevocable

An election under subparagraph (A), once made, shall be irrevocable.

(8) ELECTING REAL PROPERTY TRADE OR BUSINESS

The property described in this paragraph shall consist of any nonresidential real property, residential rental property, and qualified improvement property held by an electing real property trade or business (as defined in 163(j)(7)(B)).

(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY

(1) ADDITIONAL ALLOWANCE In the case of any qualified property—

(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to the applicable percentage of the adjusted basis of the qualified property, and

(B) the adjusted basis of the qualified property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

(2) QUALIFIED PROPERTY For purposes of this subsection—

(A) In general The term “qualified property” means property—

(i)

(I) to which this section applies which has a recovery period of 20 years or less,

(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,

(III) which is water utility property, or

(IV) which is a qualified film or television production (as defined in subsection (d) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or

(V) which is a qualified live theatrical production (as defined in subsection (e) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection,

(ii) the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of clause (ii) of subparagraph (E), and

(iii) which is placed in service by the taxpayer before January 1, 2027.

(B) Certain property having longer production periods treated as qualified property

(i) **In general** The term “qualified property” includes any property if such property—

(I) meets the requirements of clauses (i) and (ii) of subparagraph (A),

(II) is placed in service by the taxpayer before January 1, 2028,

(III) is acquired by the taxpayer (or acquired pursuant to a written contract entered into) before January 1, 2027,

(IV) has a recovery period of at least 10 years or is transportation property,

(V) is subject to section 263A, and

(VI) meets the requirements of clause (iii) of section 263A(f)(1)(B) (determined as if such clause also applies to property which has a long useful life (within the meaning of section 263A(f))).

(ii) Only pre-January 1, 2027 basis eligible for additional allowance

In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before January 1, 2027.

(iii) Transportation property

For purposes of this subparagraph, the term “transportation property” means tangible personal property used in the trade or business of transporting persons or property.

(iv) Application of subparagraph

This subparagraph shall not apply to any property which is described in subparagraph (C).

(C) Certain aircraft The term “qualified property” includes property—

(i) which meets the requirements of subparagraph (A)(ii) and subclauses (II) and (III) of subparagraph (B)(i),

(ii) which is an aircraft which is not a transportation property (as defined in subparagraph (B)(iii)) other than for agricultural or firefighting purposes,

(iii) which is purchased and on which such purchaser, at the time of the contract for purchase, has made a nonrefundable deposit of the lesser of—

(I) 10 percent of the cost, or

(II) \$100,000, and

(iv) which has—

(I) an estimated production period exceeding 4 months, and

(II) a cost exceeding \$200,000.

(D) Exception for alternative depreciation property The term “qualified property” shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

- (i) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and
- (ii) after application of section 280F(b) (relating to listed property with limited business use).

(E) Special rules

(i) Self-constructed property

In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of subclause (III) of subparagraph (B)(i) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property before January 1, 2027.

(ii) Acquisition requirements An acquisition of property meets the requirements of this clause if—

- (I) such property was not used by the taxpayer at any time prior to such acquisition, and
- (II) the acquisition of such property meets the requirements of paragraphs (2)(A), (2)(B), (2)(C), and (3) of section 179(d).

(iii) Syndication For purposes of subparagraph (A)(ii), if—

- (I) property is used by a lessor of such property and such use is the lessor’s first use of such property,
- (II) such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and
- (III) the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date of such last sale.

(F) Coordination with section 280F For purposes of section 280F—

(i) Automobiles

In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$8,000.

(ii) Listed property

The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

(iii) Phase down In the case of a passenger automobile acquired by the taxpayer before September 28, 2017, and placed in service by the

taxpayer after September 27, 2017, clause (i) shall be applied by substituting for “\$8,000”—

(I) in the case of an automobile placed in service during 2018, \$6,400, and

(II) in the case of an automobile placed in service during 2019, \$4,800.

(G) Deduction allowed in computing minimum tax

For purposes of determining alternative minimum taxable income under section 55, the deduction under section 167 for qualified property shall be determined without regard to any adjustment under section 56.

(H) Production placed in service For purposes of subparagraph (A)—

(i) a qualified film or television production shall be considered to be placed in service at the time of initial release or broadcast, and

(ii) a qualified live theatrical production shall be considered to be placed in service at the time of the initial live staged performance.

[(3)REPEALED. PUB. L. 115–97, TITLE I, § 13204(A)(4)(B)(II), DEC. 22, 2017, 131 STAT. 2111]

[(4)REPEALED. PUB. L. 115–97, TITLE I, § 12001(B)(13), DEC. 22, 2017, 131 STAT. 2094]

(5) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS

(A) In general In the case of any specified plant which is planted before January 1, 2027, or is grafted before such date to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer’s farming business (as defined in section 263A(e)(4)) during a taxable year for which the taxpayer has elected the application of this paragraph—

(i) a depreciation deduction equal to the applicable percentage of the adjusted basis of such specified plant shall be allowed under section 167(a) for the taxable year in which such specified plant is so planted or grafted, and

(ii) the adjusted basis of such specified plant shall be reduced by the amount of such deduction.

(B) Specified plant For purposes of this paragraph, the term “specified plant” means—

(i) any tree or vine which bears fruits or nuts, and

(ii) any other plant which will have more than one yield of fruits or nuts and which generally has a pre-productive period of more than 2 years from the time of planting or grafting to the time at which such plant begins bearing fruits or nuts.

Such term shall not include any property which is planted or grafted outside of the United States.

(C) Election revocable only with consent

An election under this paragraph may be revoked only with the consent of the Secretary.

(D) Additional depreciation may be claimed only once

If this paragraph applies to any specified plant, such specified plant shall not be treated as qualified property in the taxable year in which placed in service.

(E) Deduction allowed in computing minimum tax

Rules similar to the rules of paragraph (2)(G) shall apply for purposes of this paragraph.

(6) APPLICABLE PERCENTAGE For purposes of this subsection—

(A) In general Except as otherwise provided in this paragraph, the term “applicable percentage” means—

- (i) in the case of property placed in service after September 27, 2017, and before January 1, 2023, 100 percent,
- (ii) in the case of property placed in service after December 31, 2022, and before January 1, 2024, 80 percent,
- (iii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 60 percent,
- (iv) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 40 percent, and
- (v) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 20 percent.

(B) Rule for property with longer production periods In the case of property described in subparagraph (B) or (C) of paragraph (2), the term “applicable percentage” means—

- (i) in the case of property placed in service after September 27, 2017, and before January 1, 2024, 100 percent,
- (ii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 80 percent,
- (iii) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 60 percent,
- (iv) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 40 percent, and
- (v) in the case of property placed in service after December 31, 2026, and before January 1, 2028, 20 percent.

(C) Rule for plants bearing fruits and nuts In the case of a specified plant described in paragraph (5), the term “applicable percentage” means—

- (i) in the case of a plant which is planted or grafted after September 27, 2017, and before January 1, 2023, 100 percent,
- (ii) in the case of a plant which is planted or grafted after December 31, 2022, and before January 1, 2024, 80 percent,
- (iii) in the case of a plant which is planted or grafted after December 31, 2023, and before January 1, 2025, 60 percent,
- (iv) in the case of a plant which is planted or grafted after December 31, 2024, and before January 1, 2026, 40 percent, and
- (v) in the case of a plant which is planted or grafted after December 31, 2025, and before January 1, 2027, 20 percent.

(7) ELECTION OUT

If a taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, paragraphs (1) and (2)(F) shall not apply to any

qualified property in such class placed in service during such taxable year. An election under this paragraph may be revoked only with the consent of the Secretary.

(8) PHASE DOWN In the case of qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017, paragraph (6) shall be applied by substituting for each percentage therein—

- (A) “50 percent” in the case of—
 - (i) property placed in service before January 1, 2018, and
 - (ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2018,
- (B) “40 percent” in the case of—
 - (i) property placed in service in 2018 (other than property described in subparagraph (B) or (C) of paragraph (2)), and
 - (ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2019,
- (C) “30 percent” in the case of—
 - (i) property placed in service in 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and
 - (ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2020, and
- (D) “0 percent” in the case of—
 - (i) property placed in service after 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and
 - (ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service after 2020.

(9) EXCEPTION FOR CERTAIN PROPERTY The term “qualified property” shall not include—

- (A) any property which is primarily used in a trade or business described in clause (iv) of section 163(j)(7)(A), or
- (B) any property used in a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.

(10) SPECIAL RULE FOR PROPERTY PLACED IN SERVICE DURING CERTAIN PERIODS

(A) In general

In the case of qualified property placed in service by the taxpayer during the first taxable year ending after September 27, 2017, if the taxpayer elects to have this paragraph apply for such taxable year, paragraphs (1)(A) and (5)(A)(i) shall be applied by substituting “50 percent” for “the applicable percentage”.

(B) Form of election

Any election under this paragraph shall be made at such time and in such form and manner as the Secretary may prescribe