such authority, action by such representative would satisfy the require-
ment of this (iv). A governing body may have the authority to commit the
tax-exempt entity to a project notwithstanding the fact that the project can-
not be consummated without other governmental action being taken. For
example, a city council will be treated as having authority to commit a city
to do a sale-leaseback of its city hall notwithstanding the fact that State
law needs to be amended to permit such a transaction. Similarly, if a local
project cannot be completed without Federal approval, either legislative or
administrative, the obtaining of such approval satisfies the requirements of
this (iv).
(v) Routine governmental action at a local level will not qualify as signifi-
cant official governmental action. Routine governmental action includes the
granting of building permits or zoning changes and the issuance of environ-
mental impact statements.
(vi) In order to qualify under the
transitional rule of TRA section
31(g)(4), a sale and leaseback pursuant
to a binding contract entered into be-
fore January 1, 1985 must be part of the
project as to which there was signifi-
cant official governmental action. Ex-
cept as provided in the following sen-
tence, where there has been significant
official governmental action on or be-
fore November 1, 1983 with respect to
the construction, reconstruction or re-
habilitation of a property, the sale and
leaseback of such property pursuant to
a binding contract entered into before
January 1, 1985 will be treated as part of
the project which was the subject of
the significant official governmental
action. However, if the construction,
reconstruction or rehabilitation was
substantially completed prior to Janu-
ary 1, 1983, the sale and leaseback of
such property will be treated as a sepa-
rate project, unless the sale and lease-
back was contemplated at the time of
the significant official governmental
action. Nevertheless, where the sale
and leaseback is treated as a separate
project, section 31(g)(4) may apply if
there was significant official govern-
mental action on or before November 1,
1983, with respect to such sale and
leaseback. The application of this pro-
vision is illustrated by the following
element:
Example. In the summer of 1927, the Board
of Aldermen of City C passed a resolution au-
thorizing the design and construction of a
new city hall and appropriated the funds ne-
cessary for such project. Construction was
completed in 1928. At the time of the signifi-
cant official governmental action, City C
had no plan to enter into a sale-leaseback ar-
rangei
ment. On December 15, 1984, City C entered into a bind-

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§ 1.168(k)–1 Additional first year depreciation deduction.

(a) Scope and definitions—

(1) Scope. This section provides the rules for determining the 30-percent additional first year depreciation deduction allowable under section 168(k)(1) for qualified property and the 50-percent additional first year depreciation deduction allowable under section 168(k)(4) for 50-percent bonus depreciation property.

(2) Definitions. For purposes of section 168(k) and this section, the following definitions apply:

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

(ii) 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.

(iii) 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 or section 179C, and for any adjustments to basis provided by other provisions of the Internal Revenue Code and the regulations thereunder (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(a)(7)). For property subject to a lease, see section 167(c)(2).

(iv) Adjusted depreciable basis is the unadjusted depreciable basis of the property, as defined in §1.168(k)–1(a)(2)(ii), less the adjustments described in section 1016(a)(2) and (3).

(b) Qualified property or 50-percent bonus depreciation property—

(1) In general. Qualified property or 50-percent bonus depreciation property is depreciable property that meets all the following requirements in the first taxable year in which the property is subject to depreciation by the taxpayer whether or not depreciation deductions for the property are allowable:

(i) The requirements in §1.168(k)–1(b)(2) (description of property);

(ii) The requirements in §1.168(k)–1(b)(3) (original use);

(iii) The requirements in §1.168(k)–1(b)(4) (acquisition of property); and

(iv) The requirements in §1.168(k)–1(b)(5) (placed-in-service date).

(2) Description of qualified property or 50-percent bonus depreciation property—

(i) In general. Depreciable property will meet the requirements of this paragraph (b)(2) if the property is—

(A) MACRS property (as defined in §1.168(k)–1(a)(2)(ii)) that has a recovery period of 20 years or less. For purposes of this paragraph (b)(2)(i)(A) and section 168(k)(2)(B)(i)(II) and 168(k)(4)(C), the recovery period is determined in accordance with section 168(c) regardless of any election made by the taxpayer under section 168(g)(7);

(B) Computer software as defined in, and depreciated under, section 167(f)(1) and the regulations thereunder;

(C) Water utility property as defined in section 168(e)(5) and depreciated under section 168;

(D) Qualified leasehold improvement property as defined in paragraph (c) of this section and depreciated under section 168.

(ii) Property not eligible for additional first year depreciation deduction—

(A) Property that is not qualified property. For purposes of the 30-percent additional first year depreciation deduction, depreciable property will not meet the requirements of this paragraph (b)(2) if the property is—

(1) Described in section 168(f);

(2) Required to be depreciated under the alternative depreciation system of section 168(g) pursuant to section