

Tennessee Works Tax Act Adopts Bonus Depreciation

Federal Bonus Depreciation

The Tennessee Works Tax Act, Public Chapter 377 (2023), aligns Tennessee with the federal bonus depreciation provisions found in the federal Tax Cuts and Jobs Act of 2017 (the "TCJA"). Bonus depreciation is an accelerated method of depreciation that allows businesses to immediately deduct a percentage of the cost of eligible assets in the same year those assets are placed in service.

Taxpayers may take bonus depreciation deductions for assets purchased *on or after* January 1, 2023, for Tennessee excise tax purposes, in the year of the purchase if the taxpayer takes bonus depreciation on the asset for federal tax purposes. For assets purchased *on or before* December 31, 2022, bonus depreciation deductions continue to be disallowed.

Tax Cuts and Jobs Act of 2017

The federal government extended bonus depreciation in 2017 with its passage of the TCJA. However, the TCJA phases out bonus depreciation over a 5-year period. The phase out is as follows:

Asset Acquired Between:	Bonus Percentage:
1/1/2023 - 12/31/2023	80%
1/1/2024 - 12/31/2024	60%
1/1/2025 - 12/31/2025	40%
1/1/2026 - 12/31/2026	20%
1/1/2027 - and after	0%

Because Tennessee is now coupled with the TCJA bonus depreciation provisions, Tennessee follows the above schedule for purposes of determining the bonus depreciation percentage applicable to assets purchased on or after January 1, 2023.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents. Additional information is also available in the Department's [Franchise and Excise Tax Manual](#).

References

Pub. Ch. 377 (2023)