

(3) *Qualified property, 50-percent bonus depreciation property, qualified New York Liberty Zone property, or section 179 property.* [Reserved]. For further guidance, see § 1.167(a)–14T(e)(3).

■ **Par. 3.** Section 1.167(a)–14T is added to read as follows:

§ 1.167(a)–14T Treatment of certain intangible property excluded from section 197 (temporary).

(a) For further guidance, see § 1.167(a)–14(a).

(b) *Computer software*—(1) *In general.* The amount of the deduction for computer software described in section 167(f)(1) and § 1.197–2(c)(4) is determined by amortizing the cost or other basis of the computer software using the straight line method described in § 1.167(b)–1 (except that its salvage value is treated as zero) and an amortization period of 36 months beginning on the first day of the month that the computer software is placed in service. Before determining the amortization deduction allowable under this paragraph (b), the cost or other basis of computer software that is section 179 property, as defined in section 179(d)(1)(A)(ii), must be reduced for any portion of the basis the taxpayer properly elects to treat as an expense under section 179. In addition, the cost or other basis of computer software that is qualified property under section 168(k)(2) or § 1.168(k)–1T, 50-percent bonus depreciation property under section 168(k)(4) or § 1.168(k)–1T, or qualified New York Liberty Zone property under section 1400L(b) or § 1.1400L(b)–1T, must be reduced by the amount of the additional first year depreciation deduction allowed or allowable, whichever is greater, under section 168(k) or section 1400L(b) for the computer software. If costs for developing computer software that the taxpayer properly elects to defer under section 174(b) result in the development of property subject to the allowance for depreciation under section 167, the rules of this paragraph (b) will apply to the unrecovered costs. In addition, this paragraph (b) applies to the cost of separately acquired computer software if the cost to acquire the software is separately stated and the cost is required to be capitalized under section 263(a).

(b)(2) through (e)(1) For further guidance, see § 1.167(a)–14(b)(2) through (e)(1).

(e)(2) *Change in method of accounting.* See § 1.197–2(l)(4) for rules relating to changes in method of accounting for property to which § 1.167(a)–14T applies. However, see

§ 1.168(k)–1T(g)(4) or 1.1400L(b)–1T(g)(4) for rules relating to changes in method of accounting for computer software to which the third sentence in § 1.167(a)–14T(b)(1) applies.

(3) *Qualified property, 50-percent bonus depreciation property, qualified New York Liberty Zone property, or section 179 property.* This section also applies to computer software that is qualified property under section 168(k)(2) or qualified New York Liberty Zone property under section 1400L(b) acquired by a taxpayer after September 10, 2001, and to computer software that is 50-percent bonus depreciation property under section 168(k)(4) acquired by a taxpayer after May 5, 2003. This section also applies to computer software that is section 179 property placed in service by a taxpayer in a taxable year beginning after 2002 and before 2006. This section expires on September 8, 2006.

■ **Par. 4.** Section 1.168(d)–1 is amended by:

- 1. Revising paragraph (b)(3)(ii).
- 2. Paragraph heading (d) is revised and the text of paragraph (d) is redesignated as paragraph (d)(1).
- 3. Adding paragraph (d)(2).

The additions and revisions read as follows:

§ 1.168(d)–1 Applicable conventions—half-year and mid-quarter conventions.

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(b) * * *

(3) * * *

(ii) [Reserved]. For further guidance, see § 1.168(d)–1T(b)(3)(ii).

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(d) *Effective dates*—(1) *In general.*

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(2) *Qualified property, 50-percent bonus depreciation property, or qualified New York Liberty Zone property.* [Reserved]. For further guidance, see § 1.168(d)–1T(d).

■ **Par. 5.** Section 1.168(d)–1T is added to read as follows:

§ 1.168(d)–1T Applicable conventions—half-year and mid-quarter conventions (temporary).

(a) through (b)(3)(i) For further guidance, see § 1.168(d)–1(a) through (b)(3)(i).

(b)(3)(ii) The applicable convention, as determined under this section, applies to all depreciable property (except nonresidential real property, residential rental property, and any railroad grading or tunnel bore) placed in service during the taxable year, excluding property placed in service and disposed of in the same taxable year. No depreciation deduction is allowed for property placed in service

and disposed of during the same taxable year. However, see § 1.168(k)–1T(f)(1) for qualified property or 50-percent bonus depreciation property, and § 1.1400L(b)–1T(f)(1) for qualified New York Liberty Zone property, that is placed in service in the same taxable year in which either a partnership is terminated as a result of a technical termination under section 708(b)(1)(B) or the property is transferred in a transaction described in section 168(i)(7).

(b)(3)(iii) through (d)(1) For further guidance, see § 1.168(d)–1(b)(3)(iii) through (d)(1).

(d)(2) *Qualified property, 50-percent bonus depreciation property, or qualified New York Liberty Zone property.* This section also applies to qualified property under section 168(k)(2) or qualified New York Liberty Zone property under section 1400L(b) acquired by a taxpayer after September 10, 2001, and to 50-percent bonus depreciation property under section 168(k)(4) acquired by a taxpayer after May 5, 2003. This section expires on September 8, 2006.

■ **Par. 6.** Section 1.168(k)–0T is added to read as follows:

§ 1.168(k)–0T Table of contents (temporary).

This section lists the headings that appear in § 1.168(k)–1T.

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

(a) Scope and definitions.

(1) Scope.

(2) Definitions.

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

(1) In general.

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

(i) In general.

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

(A) Property that is not qualified property.

(B) Property that is not 50-percent bonus depreciation property.

(3) Original use.

(i) In general.

(ii) Conversion to business or income-producing use.

(iii) Sale-leaseback and syndication transactions.

(A) Sale-leaseback transaction.

(B) Syndication transaction.

(C) Sale-leaseback transaction followed by a syndication transaction.

(iv) Fractional interests in property.

(v) Examples.

(4) Acquisition of property.

(i) In general.

(A) Qualified property.

(B) 50-percent bonus depreciation property.

(ii) Definition of binding contract.

(A) In general.

(B) Conditions.