



TAX 670 Milestone One Guidelines and Rubric

Bonus Depreciation and Extra Deduction

Overview: This milestone will help you complete Section I of the final project by creating the first memorandum for the bonus depreciation and extra deduction scenario.

Prompt: You are a tax advisor and your client, Nora, owns and operates C-C Bakery. She encounters three different tax scenarios on which she requests your advice. You are to research the relevant tax code and make recommendations to her in the form of a memorandum for each situation.

Nora owns a bakery that has been in business for three years. She has reached out to you, her CPA, for advice as she is planning on expanding her business and buying some equipment for her store. She has heard quite a bit from her fellow business owners about bonus depreciation and the ability to take an extra deduction in year one. She needs some advice on whether the assets qualify. She is planning on buying a new oven priced at \$10,000, a new bakery display case priced at \$5,000, a new connected refrigerator and freezer priced at \$7,000, and a used commercial mixer priced at \$5,000, and she plans to add some leasehold improvements to the building (work on air condition duct and roofing) priced at \$20,000. Her business has been profitable for the last couple of years, averaging \$500,000 a year. In a short memorandum, advise how she can apply depreciation, bonus depreciation, and any other special depreciation available for these assets she placed into service on January 1 of this year. Be specific regarding code sections or any other primary or secondary sources.

Keep in mind that tax law changes may have occurred with the 2017 Tax Cuts and Jobs Act that affect bonus depreciation as well as the rules regarding other assets. In the course text, you can see Exhibit 10-3 for a sample client letter, as well as Exhibit 10-2 for a sample research memo.

Specifically, the following **critical elements** must be addressed:

- I. Bonus Depreciation and Extra Deduction
 - A. **Identify sources** for evaluating appropriate tax situation
 - B. **Document research** performed to determine if bonus depreciation applies to tax year and specific assets
 - C. **Apply research** to specific assets and determine amount of deduction
 - D. **Document findings and advice** in a memo to the client, including supporting details

Rubric

Guidelines for Submission: Your paper should be submitted as a 2- to 3-page Microsoft Word document with double spacing, 12-point Times New Roman font, and one-inch margins. Cite appropriate academic references as necessary.

Critical Elements	Proficient (100%)	Needs Improvement (75%)	Not Evident (0%)	Value
Bonus Depreciation and Extra Deduction: Identify Sources	Identifies sources for evaluating appropriate tax situation	Identifies sources for evaluating appropriate tax situation, but response contains errors or is illogical	Does not identify sources for evaluating appropriate tax situation	20
Bonus Depreciation and Extra Deduction: Document Research	Documents research performed to determine if bonus depreciation applies to tax year and specific assets, and describes results	Documents research performed to determine if bonus depreciation applies to tax year and specific assets, but result contains errors or is illogical	Does not document research performed to determine if bonus depreciation applies to tax year and specific assets	20
Bonus Depreciation and Extra Deduction: Apply Research	Applies research to specific fact patterns and determines correct amount of deduction	Applies research to specific fact patterns and determines amount of deduction, but application or calculation contains errors	Does not apply research to specific fact patterns and determine amount of deduction	25
Bonus Depreciation and Extra Deduction: Document findings	Documents findings in a memo to client	Documents findings in a memo to client, but memo contains errors or is illogical	Does not document findings in a memo to client	25
Articulation of Response	Submission has no major errors related to citations, grammar, spelling, syntax, or organization	Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas	Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas	10
Total				100%