



# TaxNewsFlash

United States

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## Notice 2026-16: Interim guidance on special depreciation allowance for qualified production property under section 168(n)

The IRS today released [Notice 2026-16](#), providing interim guidance on the special depreciation allowance for qualified production property (QPP) under section 168(n), as added by Pub. L. No. 119-21 (known as the “One Big Beautiful Bill Act” (OBBBA)).

Section 168(n) applies to QPP (generally factory buildings) if the taxpayer began construction after January 19, 2025, and places the property into service before 2031, and allows taxpayers to elect to take a depreciation deduction of 100% of the unadjusted depreciable basis of any QPP placed in service during a tax year.

According to a related IRS release—[IR-2026-25](#)—the notice provides interim guidance, including:

- Definitions of QPP and qualified production activities
- Special rules for related party leases, dual use infrastructure and allocation of basis between qualifying and non-qualifying property
- Provisions for treatment of property placed in service and disposed of in the same year, basis redeterminations, and property acquired in a like-kind exchange or involuntary conversions
- How and when an election to treat property as QPP is made
- How the depreciation recapture rules apply to property that ceases to meet the requirements to be QPP

The notice states that Treasury and the IRS plan to issue proposed regulations on new section 168(n). Taxpayers may rely on the guidance provided in Notice 2026-16 until proposed regulations are issued.

Comments on Notice 2026-16 are requested and should be submitted by April 20, 2026, but consideration will be given to comments submitted after April 20, 2026, if they will not delay the issuance of the forthcoming proposed regulations.

A KPMG report with initial impressions and analysis of the guidance in Notice 2026-16 will be provided in a follow-up edition of *TaxNewsFlash*.

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