

Buying a Yacht Before Year-End? What 100% Bonus Depreciation Can (and Can't) Do

A buyer's guide from Enrique Dillon, Dillon Yachts | Luke Brown Yachts — Miami & Fort Lauderdale

At FLIBS (Oct 28 – Nov 1): Book a meeting at the show

Before or after the show: Book a meeting with Enrique

WhatsApp: +1-305-741-0240

IMPORTANT: This guide is general educational information only and is not tax, legal, or accounting advice. Dillon Yachts and Luke Brown Yachts do not provide tax advice. Tax outcomes depend on your individual facts; consult your own CPA or tax attorney before making any purchase or tax decision.

Why this matters now

FLIBS runs **October 28 – November 1, 2026** in Fort Lauderdale. For buyers who plan to use a yacht in a real business, such as a properly run charter operation, the show falls right before year-end. The timing of a

purchase can change how the tax side works. Here is what changed, what still applies, and what to ask your CPA before you sign.

1. What changed: 100% bonus depreciation is back, and it's permanent

- The One, Big, Beautiful Bill Act (Public Law 119-21, signed July 4, 2025) amended IRC §168(k). It allows a **100% additional first-year depreciation deduction** for qualified property **acquired after January 19, 2025**.
- Under the old law, property acquired before January 20, 2025 and placed in service in 2026 would get only **20%**.
- IRS Notice 2026-11 (January 14, 2026) gives interim guidance and lets taxpayers rely on the existing §1.168(k)-2 regulations.
- Used property can qualify if it meets the acquisition rules in §168(k)(2)(E)(ii) (for example, you can't have used it before, and you can't buy it from a related party). That matters because most brokerage deals are pre-owned yachts.

2. Timing: "placed in service" is what counts, not "signed"

The deduction is taken in the tax year the yacht is **placed in service**, meaning it is ready and available for its business use. Closing on December 30 does not guarantee that. Survey, sea trial, documentation, delivery, charter-management agreements and USCG/insurance readiness all take time. If year-end is your goal, use the show to plan backward.

3. Business use is the whole game

- Depreciation is available only for property used in a trade or business or held for the production of income (IRC §167, §168).
- **Entertainment facility rule:** IRC §274(a)(1)(B) and Treas. Reg. §1.274-2(e)(2) generally disallow deductions for a yacht used for entertainment, even when the owner has a business. A yacht that is truly in the charter *business* is analyzed differently. Personal use, including by family, has to be tracked carefully. Rules on personal use of a dwelling unit (IRC §280A) can also apply to yachts with sleeping accommodations.
- Keep records: charter logs, contracts, owner days and arm's-length rates.

4. Passive activity and material participation

- Under IRC §469, losses from a passive activity, which includes most rental activity, can generally offset only passive income.
- A charter can qualify as "not rental" when the **average period of customer use is 7 days or less** (Treas. Reg. §1.469-1T(e)(3)(ii)). In that case the question becomes whether you **materially participate** (Treas. Reg. §1.469-5T, for example 500+ hours or one of the other tests). If you hand the boat to a charter manager and step away, the deduction may be suspended and not usable this year.
- Excess business loss limits (IRC §461(l)) and at-risk rules (IRC §465) can also limit current-year benefit.

5. The back end: recapture when you sell

Depreciation reduces your basis. When you sell, gain up to the depreciation taken is generally **ordinary income under IRC §1245 recapture**. Bonus depreciation mostly moves taxes to a later year rather than eliminating them. Plan your exit with your CPA at the same time you plan your entry.

A hypothetical (illustration only, not a projection)

Hypothetical, illustrative numbers. Say a buyer acquires a pre-owned yacht for an assumed $X after January 19, 2025, places it in service in a qualifying charter business in 2026, and meets the business-use and participation tests. §168(k) would allow a first-year depreciation deduction of up to $X (100%) in 2026. Whether that deduction can offset other income depends on §469, §461(l), §465 and §274. If the yacht is later sold for $Y, gain up to the depreciation claimed is generally recaptured as ordinary income. **Your CPA should run your actual numbers.**

Questions to bring to your CPA (and to the show)

1. Will my use qualify as a trade or business, and how will personal use be handled?
2. Can I realistically materially participate? If not, what can I actually use this year?
3. What has to happen by December 31 for the yacht to be "placed in service"?
4. Which entity should own it, and how does financing affect at-risk basis?
5. What does recapture look like at a likely resale horizon?
6. What does my state require (sales/use tax, registration)?

How I help

I don't give tax advice. My job is to find the right boat, negotiate it, and keep a closing timeline your CPA can work with. Through Luke Brown Yachts' network of 50+ brokers, I can source pre-owned yachts in Miami and Fort Lauderdale that are ready to close and deliver on a real schedule.

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Sources

- IRS, IR-2026-06 (Jan 14, 2026), *Treasury, IRS issue guidance on the additional first year depreciation deduction amended as part of the One, Big, Beautiful Bill*: https://www.irs.gov/newsroom/treasury-irs-issue-guidance-on-the-additional-first-year-depreciation-deduction-amended-as-part-of-the-one-big-beautiful-bill
- IRS Notice 2026-11: https://www.irs.gov/pub/irs-drop/n-26-11.pdf
- IRS Rev. Proc. 2026-15 (summary of §168(k) pre/post-OBBBA, 20% phase-down for pre-1/20/2025 property): https://www.irs.gov/pub/irs-drop/rp-26-15.pdf
- Public Law 119-21 (OBBBA) §70301; 26 U.S.C. §168(k): https://www.law.cornell.edu/uscode/text/26/168
- 26 U.S.C. §469 (passive activity); Treas. Reg. §1.469-1T(e)(3), §1.469-5T
- 26 U.S.C. §274(a)(1)(B); Treas. Reg. §1.274-2(e)(2) (entertainment facilities incl. yachts)
- 26 U.S.C. §1245 (recapture); §280A; §461(l); §465
- IRS Publication 946, *How To Depreciate Property*: https://www.irs.gov/publications/p946