

2009 Recovery Act: Extension of Bonus Depreciation and Code Sec. 179 Expense Deduction

Congress has passed the *American Recovery and Reinvestment Tax Act of 2009* (2009 Recovery Act), which provides several incentives for business investment in capital and equipment. These provisions extend prior law increases in the limitation on expense deductions for depreciable assets and allowable 50% bonus depreciation on new equipment for the year it is placed in service. More specifically, the 2009 Recovery Act extends the available expense deduction limitation under Code Sec. 179 of \$250,000, and the phase-out amount of \$800,000, through tax years beginning in 2009. Bonus depreciation is also extended through 2009 (through 2010 for certain longer-lived and transportation property).

Because these extensions are temporary and generally apply only to tax years beginning in 2009, new purchases should be made and placed in service accordingly. The increased expense deduction will revert back to \$125,000 (as indexed for inflation) for qualifying assets after 2009. Further, the \$125,000 deduction (as adjusted for inflation) is scheduled to revert back to \$25,000 for tax years beginning after 2011. Similarly, in 2010, the phase-out amount, which begins with every dollar spent over \$800,000, reverts back to \$500,000, as adjusted for inflation, and is scheduled to revert to \$200,000 after 2011.

If you have any questions about how this development applies to you, or about any other aspects of this legislation, please contact our office at your convenience.