

Federal Depreciation Recap

Tax years 2008 through 2012

<u>Tax Year</u>	<u>Bonus Depreciation (IRC 168(k))</u> <i>New property only</i>	<u>Election to Expense (IRC 179)</u> <i>New & used property</i>
2008	50% bonus & \$8,000 autos	Allowed up to \$250,000 (limited if purchases exceed \$800,000)
2009	50% bonus & \$8,000 autos	Allowed up to \$250,000 (limited if purchases exceed \$800,000)
2010	Pre 9-9-10 50% bonus & \$8,000 autos	Allowed up to \$500,000 (limited if purchases exceed \$2,000,000) & includes qualifying real property* up to \$250,000
2010	Post 9-8-10 100% bonus & \$8,000 autos	Allowed up to \$500,000 (limited if purchases exceed \$2,000,000) & includes qualifying real property* up to \$250,000
2011	100% bonus & \$8,000 autos	Allowed up to \$500,000 (limited if purchases exceed \$2,000,000) & includes qualifying real property* up to \$250,000
2012	50% bonus & \$8,000 autos	Allowed up to \$125,000 (limited if purchases exceed \$500,000)

Notes:

- >Ohio does not conform to the federal depreciation rules. However, Ohio does allow \$25,000 for S. 179.
- >Bonus depreciation is assumed unless the taxpayer elects out. Must elect out by attaching an election statement to tax return. Election out is for each category (50% or 100%) and for each class.
- >Bonus is determined by the date the asset was placed in service, S179 is determined by tax year.
- >Bonus depreciation for autos and trucks/vans is in addition to regular depreciation:
 - autos 2010 max = \$11,060 (\$3,060 - reg, \$8,000 - bonus)
 - trucks/vans 2010 max = \$11,160 (\$3,160 - reg, \$8,000 - bonus)
- >Trucks/vans/SUV's that have a GVWR (gross vehicle weight rating) in excess of 6,000 lbs is not subject to the limits above
- >SUV's exempt from luxury auto limitations can take up to \$25,000 under Section 179.

***Qualified Real Property, Defined (2010 & 2011 - Capped at \$250,000)**

Generally, to be eligible for expensing under the Act, the real property must be depreciable and must have been acquired for use in an active trade or business. It includes certain qualified restaurant property, qualified retail improvement property, and qualified leasehold improvement property, as follows:

Restaurant Property—a building or an improvement to a building where more than 50 percent of the building's square footage is devoted to food preparation and on-premises consumption of prepared meals.

Retail Improvement Property—an improvement to the interior of a nonresidential property that is open to the public and is used for retail sales of tangible personal property to the general public. The improvements must be placed in service more than three years after the building itself was first placed in service.

Leasehold Improvement Property—an improvement to the interior portion of a nonresidential building that is made under or pursuant to a lease and which is occupied exclusively by the lessee or sublessee. Specifically excluded are building enlargements, elevators, escalators, structural components benefitting common areas, the building's internal structural framework, and certain improvements made by a lessor when the lessor no longer owns the property.

NOTE: Real property that is used for lodging, is used outside of the country, or is used by any of the following entities is not eligible for Section 179 expensing: government entities, foreign persons, foreign entities and certain tax-exempt organizations. Air conditioning and heating units are also ineligible.