

City of Philadelphia – Department of Revenue

Policy Update on the Federal Bonus Depreciation provided under the  
Tax Relief, Unemployment Insurance Reauthorization, and Job  
Creation Act of 2010 (H.R. 4853)

**March 2011**

President Obama on December 17, 2010 signed into law *The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* (H.R. 4853) that amended IRC § 168(k) to increase from 50% to 100% the special first year depreciation for assets acquired and placed in service after September 8, 2010 and before January 1, 2012.

On February 24, 2011 the Pennsylvania Department of Revenue (“PADOR”) issued *Corporation Tax Bulletin 2011-01* that allows the 100% special first year depreciation for purposes of the Corporate Net Income Tax. Pursuant to the last sentence of the second paragraph of the Commonwealth Bulletin, no adjustment is necessary to a corporation’s Pennsylvania taxable income for the 100% bonus depreciation claimed on qualified property under IRC § 168(k).

For assets acquired and placed in service in the relevant period – after September 8, 2010 and before January 1, 2012 -- the City of Philadelphia will allow all Method II (federal income tax) filers to claim the 100% special first year depreciation for purposes of both the Business Privilege Tax and the Net Profits Tax. Therefore, Method II filers will not need to adjust their federal income for purposes of calculating those City taxes even if they have taken the 100% bonus depreciation claimed on qualified property under IRC § 168(k).

The calculations of Method I filers will not be impacted by either the change in federal tax law or the change in City policy because those calculations are based on books and records rather than federal income tax.