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.