

July 31, 2018

Advisory Notice – Bonus Depreciation Policy Update - July 31, 2018

How does the City of Philadelphia treat bonus depreciation for the Business Income and Receipts Tax and Net Profits Tax?

- By law¹, Philadelphia is required to follow the Commonwealth of Pennsylvania rules on federal bonus depreciation.
- Pennsylvania (and thus also Philadelphia) are decoupled from the federal 100% bonus depreciation deduction allowed for qualified properties acquired and placed into service after September 27, 2017 and before January 1, 2023. The change to 100% bonus depreciation for federal taxes was part of the federal Tax Cuts and Jobs Act that was signed into law on December 22, 2018.
- Pennsylvania and Philadelphia require taxpayers to add back to their federal taxable income any 100% bonus depreciation taken on their federal return.
- Pennsylvania and Philadelphia do allow taxpayers to take normal depreciation (as permitted in [IRC §167](#)).

What's the backstory? I thought Pennsylvania and Philadelphia weren't allowing any depreciation.

Shortly after the federal Tax Cuts and Jobs Act became law, Pennsylvania decoupled from the federal bonus depreciation and the PA Department of Revenue issued a bulletin announcing that not only did taxpayers must add back any bonus depreciation, they were also not permitted to take any depreciation until the properties were disposed of. That position was superseded by a Pennsylvania law change signed on June 28, 2018 – this law² continued the decoupling that requires Pennsylvania taxpayers to add back the bonus depreciation but gave back the ability for taxpayers to take normal depreciation.

¹ Section 31.1 of Act 89 of 2002

² Act 72 of 2018