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## ***REINSTATE THE DEPRECIATION BONUS TO SUPPORT ECONOMIC RECOVERY, CREATE JOBS***

### ***Executive Summary***

As part of the 2008 and 2009 economic stimulus laws, Congress created a 50 percent depreciation bonus to encourage businesses to purchase new capital equipment. The temporary tax incentive expired at the end of 2009. Congress should extend the depreciation bonus through at least 2010 to strengthen the nation's still-tenuous economic recovery.

### ***Background***

The 2009 American Recovery and Reinvestment Act (ARRA) extended the 50 percent depreciation bonus and higher Internal Revenue Code Sec. 179 small business expensing levels created by the 2008 Economic Stimulus Act. Both incentives allow businesses that purchase capital equipment to reduce their tax bills for the year in which the purchase is made. Businesses of any size can take advantage of the depreciation bonus, but it only applies to new equipment. Sec. 179 applies to both new and used capital equipment, but companies are only permitted to expense up to \$250,000 (Sec. 179 therefore primarily benefits small companies). Both the depreciation bonus and increased Sec. 179 levels expired at the end of 2009. While the Hiring Incentives to Restore Employment (HIRE) Act signed by President Obama on March 18 renewed the higher Sec. 179 level for 2010, Congress has not yet extended the depreciation bonus.

On April 1, 82 national organizations representing all sectors of the economy sent a letter to Congress urging that the depreciation bonus be reinstated. Doing so will:

- Help large and small manufacturers by providing incentives for their customers to make new purchases;
- Encourage companies of all sizes to invest in newer, more efficient, and more environmentally-friendly equipment;
- Help companies free up cash to hire new workers, make additional investments, etc.;
- Inoculate the economy against a backward slide in business capital investment in the months ahead;
- Enhance the impact and benefits of other job creation legislation (e.g., infrastructure investment); and
- Encourage recovery and job creation in capital-intensive sectors of the economy – especially construction and manufacturing – that have been hit hardest by the downturn.

For all the foregoing reasons, Congress should act swiftly to reinstate the depreciation bonus. For more information, contact AED Vice President of Government Affairs Christian A. Klein at 703.739.9513 or [caklein@aednet.org](mailto:caklein@aednet.org), or go to <http://www.depreciationbonus.org/>.

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