A New Depreciation Deduction is Born
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If you acquired new depreciable property in 2001 following the 9/11 terrorist attack – you may want to sharpen your pencil and recalculate your 2001 tax liability.

The “Jobs Creation and Worker Assistance Act of 2002” signed into law March 9, 2002 contains a provision for “additional first-year depreciation deduction equal to 30% of the adjusted basis of qualified property”.

Generally, qualified properties are assets that meet the following tests:

- MACRS eligible property with a recovery period of 20 years or less;
- Acquired by the taxpayer after 9-10-2001 and before 9-11-2004;
- Original use must commence with the taxpayer (i.e., new property).

The Joint Committee on Taxation’s Technical Explanation of the Act indicates the following order of cost recovery:

1st Section 179 expensing if elected
2nd 30% first-year depreciation deduction
3rd Regular depreciation deduction

For example, the following is a calculation of total deduction available under the new law for qualifying 7-year property acquired on 10-10-2001 at a cost of $100,000.

**Total 2001 depreciation deduction available with the new provision would be:**

Section 179 expensing = $24,000
30% first-year depreciation deduction = ($100,000 – 24,000)*30% = $22,800
Regular year one depreciation = ($100,000 – 24,000 – 22,800)*10.71% = $  5,698

**Total** $52,498

**The total 2001 depreciation deduction available under the old law would be:**

Section 179 expensing = $24,000
Regular year one depreciation = ($100,000 – 24,000)*10.71% = $ 8,140

**Total** $32,140