



Depreciation and Section 179 Expense

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2007 Changes

Increased section 179 limits. The maximum section 179 deduction you can elect for qualified section 179 property you placed in service in 2007 has increased to \$125,000 (\$160,000 for qualified enterprise zone property and qualified renewal community property). This limit is reduced by the amount by which the cost of section 179 property placed in service in the tax year exceeds \$500,000. For qualified section 179 Gulf Opportunity (GO) Zone property, the maximum deduction is higher than the deduction for most section 179 property. See chapter 2 of Publication 946, *How to Depreciate Property*.

Depreciation limits on electric vehicles. The total depreciation deduction (including the section 179 deduction) you can take for a passenger automobile (that is not a truck or a van) you use in your business and first placed in service in 2007 is \$3,060. The maximum deduction you can take for a truck or a van you use in your business and first placed in service in 2007 is \$3,260. See *Maximum Depreciation Deduction* in chapter 5 of Publication 946.

Caution. These limits are reduced if the business use of the vehicle is less than 100%

Limited reduction in Liberty Zone tax benefits. The special depreciation allowances for qualified New York Liberty Zone property does not apply to most property placed in service after December 31, 2006. However, if you placed qualified nonresidential real property and qualified residential rental property in service during the tax year, you may still be able to claim the special depreciation allowance. See chapter 3 of Publication 946 and the [2007 Instructions for Form 4562](#).

2008 Changes

Increased Section 179 limits. The maximum section 179 deduction you can elect for qualified section 179 property you placed in service in tax years that begin in 2008, has increased to \$250,000 (\$285,000 for qualified enterprise zone property and qualified renewal community property). This limit is reduced by the amount by which the cost of section 179 property placed in service in the tax year exceeds \$800,000. For qualified section 179 Gulf Opportunity (GO) Zone property placed in service in certain counties and parishes of the GO Zone, the maximum deduction is higher than the deduction for most section 179 property.

Special depreciation allowance for certain property. You may be able to take an additional first year special depreciation allowance for certain qualified property (defined below). The allowance is an additional deduction of 50% of the property's depreciable basis (after any section 179 deduction and before figuring your regular depreciation deduction).

Property that qualifies for this special depreciation allowance include the following.

- Tangible property depreciated under the modified accelerated cost recovery system (MACRS) with a recovery period of 20 years or less
- Water utility property
- Off-the-shelf computer software
- Qualified leasehold improvement property

Qualified property must also meet all of the following tests.

- You must have acquired qualified property by purchase after December 31, 2007, and before January 1, 2009. If a binding contract to acquire the property existed before

January 1, 2008, the property does not qualify.

- Qualified property must be placed in service after December 31, 2007, and before January 1, 2009 (before January 1, 2010, for certain transportation property and certain property with a long production period).
- The original use of the property must begin with you after December 31, 2007.

Property that does not qualify for special depreciation allowance include the following.

- Property placed in service and disposed of in the same tax year.
- Property converted from business use to personal use in the same tax year it is acquired. Property converted from personal use to business use in the same or later tax year may be
- Depreciation limits on business qualified GO Zone property.
- Property required to be depreciated under the alternative depreciation system (ADS).
- Property included in a class of property for which you elected not to claim the special depreciation allowance.vehicles

Depreciation limits on business vehicles. The total depreciation deduction (including the section 179 deduction) you can take for a passenger automobile (that is not a truck or a van) you use in your business and first placed in service in 2008 is \$2,960 (\$10,960 for automobiles for which the special depreciation allowances applies). The maximum deduction you can take for a truck or a van you use in your business and first placed in service in 2008 is \$3,160 (\$11,160 for trucks or vans for which the special depreciation allowance applies).

Caution. These limits are reduced if the business use of the vehicle is less than 100%

--08-MAR-2008