



ARIZONA STATE SENATE
Fifty-Second Legislature, Second Regular Session

FACT SHEET FOR S.B. 1528

bonus depreciation; budget reconciliation; 2016-2017

Purpose

Increases the first-year bonus depreciation allowance for taxable years beginning in 2016.

Background

Pursuant to Section 168(k) of the Internal Revenue Code (IRC), for purposes of calculating federal tax liability in recent years, income tax filers have been permitted to take a bonus depreciation allowance in the year qualified new property is purchased and placed in service. Along with other tax measures, Congress has traditionally approved this policy one year at a time. These provisions are collectively referred to as “tax extenders”. The current federal policy permits tax payers to reduce their income for the 50 percent bonus depreciation provision through TY 2017 and will phase down to 40 percent in 2018 and 30 percent in 2019.

According to JLBC, this legislation is estimated to reduce revenues by \$8 million in FYs 2017, 2018 and 2019.

Provisions

1. Allows a taxpayer, retroactive to the beginning of TY 2016, to deduct 55 percent of the amount of first-year bonus depreciation allowed under IRC Section 168(k).
2. Allows a taxpayer, for TYs beginning in 2017, to deduct the full amount of first-year bonus depreciation allowed under IRC Section 168(k).
3. Makes technical and conforming changes.
4. Becomes effective on the general effective date, with a retroactive provision as noted.

Prepared by Senate Research
April 27, 2016
BR/ls