



**BDO Seidman, LLP**  
Accountants and Consultants

October 2004

**Subject:**

**50 Percent Bonus  
Depreciation to  
Expire**

# Federal Tax Alert

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**Date\Timing:**

Increase in first-year depreciation allowance on new equipment purchases is due to expire for purchases after December 31, 2004.

**Details:**

Over the past three years, businesses have experienced significant tax savings as a result of the Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. The 2003 Act increased the first-year depreciation allowance on many new equipment purchases from 30 percent under the 2002 Act to 50 percent of the purchase price. This “bonus depreciation” is due to expire for purchases after December 31, 2004.

What does this mean to your business?

- Companies that have experienced significant savings due to bonus depreciation should be prepared for the expiration of this benefit and its tax impact.
- Though purchase decisions should be based on business needs, the additional tax savings may warrant accelerating equipment purchases and, in most cases, placement in service into 2004.
- Consider other tax-saving opportunities to decrease your overall tax liability, such as real and personal property like-kind exchanges and cost-segregation.