



TO: Honorable Members of the Senate Finance Committee

FROM: Samuel Denisco, Vice President, Government Affairs

DATE: March 20, 2018

RE: Bonus Depreciation

On behalf of the PA Chamber, I write to you to express support for HB 2017 which is scheduled to be considered by the Senate Finance Committee tomorrow.

On December 22, 2017, the Department of Revenue by way of Bulletin reversed a six-year-old policy allowing taxpayers to claim a full 100% bonus depreciation deduction for Pennsylvania purposes. In the Bulletin, the Department now asserts that taxpayers who take advantage of the 100% bonus deduction for federal purposes must, when computing the Pennsylvania corporate net income tax, add the 100% bonus deduction back to income. The Bulletin goes on to announce that the Department will not allow any depreciation deduction with respect to property for which the 100% bonus deduction was claimed until such property is disposed of, making PA the only state in the nation to disallow any form of accelerated depreciation.

Reacting to the accelerated depreciation provisions in the federal Tax Cuts and Jobs Act, the Department takes an unfair and extreme position that runs counter to the legislative intent of the statute. When the General Assembly originally decoupled from federal bonus depreciation, it intended to allow taxpayers an alternative depreciation deduction, computed as if federal bonus depreciation had never been enacted. With this Bulletin, no deduction is applied until the asset is sold.

The PA Chamber supports HB 2017 as it provides an accepted form of depreciation thereby proving more certainty and predictability for employers when investing in the Commonwealth.

Please support HB 2017 in Committee.