Ninety-Ninth Legislature - Second Session - 2006

Introducer's Statement of Intent
LB 809

Chairperson: **David Landis**
Committee: **Revenue**
Date of Hearing: **February 1, 2006**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Shortly after the terrorist attacks on the World Trade Center towers, the Congress enacted the Job Creation and Worker Assistance Act of 2002. This act allowed an additional 30 percent first year depreciation amount for property acquired from September 11, 2001 through September 10th, 2002. The next year, the Jobs Growth and Tax Relief Reconciliation Act of 2003 extended the additional 30 percent depreciation amount for property acquired until May 5th, 2003, and allowed an additional first year depreciation amount of 50 percent for property acquired from May 6, 2003 until January 1, 2005. There is talk that this “bonus depreciation” may again be extended, but so far it has not.

Also the Jobs Growth and Tax Relief Reconciliation Act of 2003 increased the limitation for section 179 expensing from $24,000 in 2002 to $100,000 for 2003, 2004, and 2005. It was supposed to decline to $25,000 in 2006, but Congress recently extended the $100,000 limitation until 2008 (the American Jobs Creation Act of 2005).

Nebraska law allows the “bonus depreciation” and excess section 179 expensing to be subtracted later. Currently, the amounts added back may be deducted 20 percent in each of five years beginning in tax year 2006. This is not a problem with regard to bonus depreciation that is no longer being added back and accumulated. It is a problem for the excess section 179 expenses which will be added back and then subtracted in the same year.

LB 809 would provide that any “bonus depreciation” added back under Nebraska law for tax years after January 1, 2006 would be subtracted in five equal installments beginning with tax years beginning on or after January 1, 2011. This provision is just in case Congress extends bonus depreciation provisions.

Likewise, any federal section 179 expensing for capital investment that is in excess of $25,000 that is added back under Nebraska law after January 1, 2006 could be subtracted in five equal installment beginning January 1, 2011.

Principal Introducer: ________________________________
Senator David Landis