

Example Discussed

Corporation X purchases and places in service machinery (5-year property) in its calendar 2008 tax year having a cost of \$650,000, which will be subject to the half-year convention. Corporation X will elect to expense \$250,000 under Sec. 179, leaving the machinery with a remaining depreciable basis of \$400,000. Applying the bonus depreciation provided by the Act, Corporation X is entitled to a further deduction in 2008 of \$200,000 (50% of \$400,000), leaving the machinery with a remaining depreciable basis of \$200,000. Standard first-year depreciation for 5-year property under the half-year convention is 20%, providing Corporation X with further depreciation on the machinery of \$40,000. Accordingly, Corporation X is entitled to a total expense and depreciation deduction of \$490,000 in 2008 on its \$650,000 machinery. The remaining \$160,000 cost of the property is recovered after 2008 under otherwise applicable rules for computing depreciation.
