

Bonus Depreciation

February 1, 2011



Pacific Power | Rocky Mountain Power

Background

September 2010 - Small Business Jobs Act of 2010 extended the additional 50% first-year depreciation deduction in §168(k), generally, to qualified property acquired and placed in service on or before December 31, 2010.

December 2010 - Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 further extended the additional first-year depreciation deduction in §168(k), generally, to qualified property acquired and placed in service on or before December 31, 2012.

- Provided a 100% first-year depreciation deduction for qualified property acquired and placed in service on or after September 9, 2010 and on or before December 31, 2011.



Pacific Power | Rocky Mountain Power

Bonus Depreciation – Technical Rules

Four Requirements

1. Qualified property
2. Taxpayer must be the original, or first, user of the property
3. Property must be acquired during the relevant period
 - 50% Bonus: After December 31, 2007 and prior to September 9, 2010 or in 2012
 - 100 Bonus: After September 8, 2010 and prior to 12/31/2011
4. Property must be placed in service during the relevant period
 - 50% Bonus: After December 31, 2007 and prior to September 9, 2010 or in 2012
 - 100 Bonus: After September 8, 2010 and prior to 12/31/2011

Rate Base Reduction For Accumulated Deferred Income Tax (ADIT)

Purchase Cost: \$1,000,000
 Book Life: 50 Year Straight-Line
 Tax Life: 20 Year MACRS

