



Important Information Regarding Accelerated Depreciation for Software and Hardware Purchases

Your purchase of any *doc-link* integrated document management solution may qualify for accelerated depreciation if purchased after 9/10/01.

TITLE I—BUSINESS PROVISIONS

Special Depreciation Allowance for Certain Property

The Bill would allow an additional first-year depreciation deduction equal to 30% of the adjusted basis of certain qualified property that is placed in service before 2005, with a one-year extension for certain property with a recovery period of 10 years or longer. The additional depreciation deduction would be allowed for both regular tax and alternative minimum tax purposes for the taxable year in which the property is placed in service. The basis of the property and the depreciation allowances in the year of purchase and later years would be appropriately adjusted to reflect the additional first-year depreciation deduction. A taxpayer would be allowed to elect out of the additional first-year depreciation for any class of property for any taxable year.

Under the Bill, property would qualify for the additional first-year depreciation deduction if the property is: (1) property to which the modified accelerated cost recovery system (MACRS) applies with a recovery period of 20 years or less; (2) water utility property; (3) computer software other than computer software covered by §197; or (4) qualified leasehold property. For property to be qualified property, the original use of the property must commence with the taxpayer on or after September 11, 2001. A special rule precludes the additional first-year depreciation deduction for property that is required to be depreciated under the alternative depreciation system of MACRS.

In addition, qualified property would be required to be acquired by the taxpayer (1) after September 10, 2001 and before September 11, 2004, but only if no binding written contract for the acquisition is in effect before September 11, 2001 or (2) pursuant to a binding written contract which was entered into after September 10, 2001, and before September 11, 2004. Finally, property that is manufactured, constructed, or produced by the taxpayer for use by the taxpayer would qualify if the taxpayer begins the manufacture, construction, or production of the property after September 10, 2001, and before September 11, 2004 (and all other requirements are met). Property that is manufactured, constructed, or produced for the taxpayer by another person under a contract that is entered into prior to the manufacture, construction, or production of the property would be considered to be manufactured, constructed, or produced by the taxpayer.

The Bill provides that the term "original use" means the first use to which the property is put, whether or not such use corresponds to the use of such property by the taxpayer. Except as otherwise provided in treasury regulations, repaired or reconstructed property would be not qualified property.

Effective for property placed in service after September 10, 2001.

Example

A company purchases *doc-link* with hardware and software totaling \$ 50,000. First year maximum write off is as follows:

\$ 50,000	Purchase price
(10,000)	Section 179 expense
(15,000)	New tax relief @ 30%
(5,000)	Normal depreciation per year 5 years

The \$ 15,000 additional write off represents tax savings of approximately \$ 5,000 given a 35% corporate tax rate

We recommend that you consult with your financial department to learn more about this Tax Stimulus Provision Bill.