

MAKE PERMANENT THE ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON INDIAN RESERVATIONS

Current Law

Section 168(j) of the IRC allows for accelerated depreciation for certain property used in connection with the conduct of a trade or business within an Indian reservation. “Qualified Indian reservation property” is eligible for accelerated depreciation, which includes property that is (1) used by the taxpayer predominantly in the active conduct of a trade or business within an Indian reservation; (2) not used or located outside the reservation on a regular basis; (3) not acquired (directly or indirectly) by the taxpayer from a person who is related to the taxpayer; and (4) not property placed in service for purposes of conducting gaming activities.

Reason for Change

The accelerated depreciation provisions have encouraged investment in Indian country because they permit taxpayers to take a larger deduction for depreciation from their business income earlier than they would otherwise be allowed. The provisions have been an important tool, in particular, to encourage outside investment in large scale infrastructure projects in Indian country.

Proposal

The proposal would permanently extend Section 168(j) of the IRC.

Suggested Language

Permanent Extension of Depreciation Rules for Property on Indian Reservations.

- (1) **IN GENERAL.** – Subsection (j) of Section 168 of the Internal Revenue Code of 1986 (relating to property on Indian reservations) is amended by striking paragraph (8).
- (2) **EFFECTIVE DATE.** – The amendment made by this section shall apply to property placed in service after December 31, 2007.