
Section 2

Changes in Law and Regulations

The statistics in this report reflect, in general, changes in law and regulations that became effective during the 2002 accounting periods covered. Depending on the accounting period used and effective date of the change in law, the changes may have been fully applicable for some corporations, only partially applicable for others, and not applicable at all for still others.

The information that follows highlights the major changes that substantially affected the comparability of the statistics in this report with those of prior years. More detail on the specific provisions that were changed is contained in Section 5, Explanation of Terms.

Tax Schedule Filing Requirements

If a corporation's total receipts for the tax year and its total assets at the end of the tax year are less than \$250,000, it generally is no longer required to complete Form 1120 Schedules L, M-1, and M-2 (Parts III and IV of Form 1120-A). These corporations are classified according to total assets reported on Form 1120, Page 1, Line D, so they will appear in the \$1 under \$500,000 column. Therefore, balance sheet items may be understated for that column.

Special Depreciation Allowance

The Job Creation and Worker Assistance Act of 2002 provided a special first year depreciation allowance for qualified property placed in service

after September 10, 2001. The allowance is an additional deduction of 30 percent of the property's depreciable basis.

The Jobs and Growth Tax Relief Act of 2003 provided an additional special first year depreciation allowance of 50 percent of the depreciable basis for qualified property acquired after May 5, 2003.

General Business Credit

The Credit for Employer-Provided Child Care Facilities and Services allows a business to receive a tax credit of 25 percent of qualified child care expenses and 10 percent of qualified child care resource and referral expenses, limited to a credit of \$150,000 per year.

The Credit for Pension Plan Startup Costs allows an employer with 100 or fewer employees who received at least \$5,000 of compensation from that employer to receive a tax credit of 50 percent of the first \$1,000 of qualified startup costs of a new pension plan. The credit is available for each of the first three years of the plan.

The Empowerment Zone and Renewal Community Employment Credit allows employers located in renewal community zones to a 15 percent wage credit on the first \$10,000 of annual wages paid to residents of the renewal community zone for tax years beginning in 2002.