
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 2004 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.

Biodiesel Fuels Credit

The biodiesel fuels credit, reported on Form 8864, was created to encourage the production and use of biodiesel fuels. The biodiesel credit amount is 50 cents for each gallon of biodiesel not used in a mixture with diesel fuel either used in the taxpayer's trade or business or sold at retail. The credit amount increases to \$1.00 per gallon if either the biodiesel or the biodiesel mixture fuel meets the definition as a agri-biodiesel fuel.

Credit for Electricity and Refined Coal Produced From Qualified Energy

For tax years beginning after October 22, 2004, the number of qualified energy resources for purposes of this credit has been expanded.

Electronically Filed Form 1120 Corporate Tax Returns

Tax Year 2004 was the second year in which corporations could elect to file their Form 1120 and related forms and schedules electronically. With strict electronic filing requirements in place, approximately 2700 filed electronically and were selected for inclusion in the SOI sample.

Low Sulfur Diesel Fuel Credit

A new general business credit for the production of low sulfur diesel fuel is now available (Form 8896). It can be claimed retroactively for expenses paid or incurred after December 31, 2002.

Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More

Corporations with total assets of \$10 million or more on the last day of the tax year must complete new Schedule M-3 instead of Schedule M-1.

One-Time Dividends Received Deduction for Certain Cash Dividends from Controlled Foreign Corporation

Created under the American Jobs Creation Act of 2004 (IRS section 965) this deduction allows U.S. companies to repatriate earnings from their foreign subsidiaries at a reduced tax rate. IRC section 965 provides that U.S. companies may opt, for one taxable year, to receive an 85% deduction for eligible dividends from their foreign subsidiaries.

Special Depreciation Allowance

The 30% and 50% special depreciation allowance for qualified property placed in service in 2004 continued for Tax Year 2004 filers. However, the 30% and 50% special depreciation allowance will not apply to most property placed in service after 2004. The maximum section 179 expense deduction for qualified property placed in service in 2004 increased from \$100,000 to \$102,000 (\$137,000 for qualified zone property, qualified renewal property or qualified New York Liberty zone property). The threshold cost of section 179 property before limitation also increased from 400,000 to 410,000.

