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## Section 2

# Changes in Law and Regulations

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**T**he statistics in this report reflect, in general, changes in law and regulations that became effective during the 2006 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.

### **Credit for Federal Telephone Excise Tax Paid**

A corporation billed after February 28, 2003, and before August 1, 2006, for the federal telephone excise tax on long distance or bundled services may be able to request a one-time credit for the tax paid.

### **Nonconventional Source Fuel Credit**

For tax years ending in 2006 and later, the credit is part of the general business credit. In certain circumstances, the credit has been extended to facilities that produce coke or coke gas fuel from non-petroleum-based products. In order to qualify for the credit, the fuel must be produced and sold after December 31, 2005. Qualified sales of coke and coke gas are not subject to a phaseout adjustment. For more information, see Form 8907, Nonconventional Source Fuel Credit.

### **Research Credit Expanded**

A fiscal year corporation with a tax beginning in 2005 and ending in 2006 can elect the alternative incremental credit (as modified) on Form 6765, or the new alternative simplified credit. If the corporation elects both the alternative incremental credit and the alternative simplified credit, the election of the alternative incremental credit will be revoked for the following tax year.

### **Special Depreciation Allowance**

The maximum section 179 deduction corporations can elect for qualified section 179 property increased from \$105,000 to \$108,000 (and increased from \$140,000 to \$143,000 for qualified enterprise zone property and qualified New York Liberty Zone property). The threshold cost of section 179 property before limitation also increased from \$420,000 to \$430,000.

### **Work Opportunity and Welfare-to-Work Credits Extended**

These credits were extended to cover employees who begin work for the employer before January 1, 2008.

### **Extension of Expired Tax Benefits**

The following tax benefits that had expired have been extended:

- Indian employment credit (for tax years beginning before 2008).
- Accelerated depreciation for qualified Indian reservation property (for property placed in service before 2008).
- 15-year recovery period for qualified leasehold improvements and qualified restaurant improvements (for property placed in service before 2008).
- Suspension of the 100% net income limit on percentage depletion for oil and gas from marginal wells (for tax years beginning before 2008).
- Deduction for corporate donations of computer technology or equipment (for donations made in tax years beginning before 2008).
- Certain tax incentives based on the designation of the District of Columbia Enterprise Zone (for any period before 2008).

### **Expired Tax Benefits**

The following tax benefits have expired:

- Credit for electricity produced from a facility using solar energy (for a facility placed in service after 2005).
- Possessions corporation tax credit (for tax years beginning after 2005).