
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 2008 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.

Agricultural Chemical Security Credit

The agricultural chemicals security credit has been added as part of the general business credit. The credit is 30% of the qualified agricultural chemicals security cost paid or incurred during the tax year. See Form 8931, Agricultural Chemicals Security Credit.

Alcohol and Cellulosic Biofuels Fuels Credit

For credits claimed on returns filed after May 14, 2008, one cannot claim alcohol and cellulosic biofuel or biodiesel and renewable diesel fuel credits for alcohol or fuel produced outside of the US for use as fuel outside of the US. See Form 6478, Alcohol and Cellulosic Biofuel Fuels Credit and Form 8864, Biodiesel and Renewable Diesel Fuels Credit.

Changes that apply to the biodiesel and renewable diesel fuel credits for 2008:

- For ethanol sold or used after 2008, the credit rate is lowered.
- For fuel produced, and sold or used, after 2008, the credit is expanded to include the cellulosic biofuel producer credit.
- For fuel sold or used after 2008, the percentage of denaturants included in the volume of alcohol used to figure the credit is lowered.
- For fuel produced, and sold or used, after October 3, 2009, renewable diesel does not include any fuel derived from co-processing biomass with feedstock that is not biomass.

Capital Gain Tax Rate Reduction for Corporations with Qualified Timber Gain

For tax years ending after May 22, 2008 and beginning before May 23, 2009, if a corporation has both a net capital gain and a qualified timber gain, a maximum 15% capital gains tax rate may apply for part of the tax year. The reduced tax rate applies for both regular tax and alternative minimum tax purposes. See the Instructions for Schedule D (Form 1120) and the Instructions for Form 4626, Part II, for details.

Carbon Dioxide Sequestration Credit

Carbon Dioxide captured after October 3, 2008, from an industrial source may be eligible for a credit. See Form 8933, Carbon Dioxide Sequestration Credit.

Depreciation and Section 179 Deduction

The Section 179 deduction limit has increased for tax years that begin in 2008 to \$250,000 for qualified Section 179 property. There are also special depreciation allowances for qualified property of an additional deduction of 50% of the property's depreciation basis. See Chapter 2& 3 of Publication 946 for more information.

- Qualified recovery assistance property acquired after May 4, 2007, and placed in service in the Kansas disaster area.
- Certain qualified property acquired after 2007 and placed in services before 2010.
- Qualified reuse and recycling period after August 31, 2008.
- Qualified cellulosic biofuel plant property placed in service after October 3, 2008, and before 2013.
- Qualified disaster assistance property placed in service in federally declared disaster areas in which the disaster occurred after 2007.

Election to Accelerate Certain Credits in Lieu of the Special Depreciation Allowance

In lieu of claiming the special depreciation allowance for certain eligible qualified property acquired after March 31, 2008, and placed in service before January 1, 2010, corporations and certain

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automotive partnerships can elect to accelerate pre-2006 unused research credit or minimum tax credits. See Chapter 3 of Publication 946 and Form 3800, General Business Credit and Form 8827, Credit for Prior Year Minimum Tax.

Low-Income Housing Credit

The low-income housing credit attributable to buildings placed in service after 2007 is allowed against both the regular tax and the AMT. See Form 8586, Low-Income Housing Credit.