



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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The Honorable Dianne Feinstein
United States Senate
Washington, DC 20510

Attention:

Dear Senator Feinstein:

I am responding to your inquiry dated June 26, 2009, on behalf of your constituent, . wrote about the disallowance of a section 179 deduction claimed on his firm's federal income tax return. He said his firm has not conducted business since .

In lieu of recovering the cost of section 179 property through annual depreciation deductions, a taxpayer can elect to deduct under section 179(a) of the Internal Revenue Code all or part of the cost of that property, up to a limit, for the taxable year in which the taxpayer places the property in service. Section 179 property is certain specified property (for example, equipment) which the taxpayer acquires by purchase for use in the active conduct of a trade or business. (Section 179(d)(1)). Because firm ceased business operations during , any property acquired in did not meet "the active conduct of a trade or business" statutory requirement.

inquiry involves a matter under the jurisdiction of an IRS examination office. If wishes to contact us about the technical requirements of section 179, we would have to coordinate discussions with him with the IRS official involved in the examination.

I hope our response is helpful. If we can assist you further, please contact me at
, or or at .

Sincerely,

George J. Blaine

George J. Blaine
Associate Chief Counsel
(Income Tax & Accounting)