



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

OFFICE OF THE CHIEF COUNSEL

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Dear _____ :

I am responding to your telephone call to Senator Sherrod Brown. You asked why section 179 deductions have dropped this year from last year and if the Congress plans to extend section 179, which expires next year. Senator Brown wrote to us on your behalf and asked us to respond directly to you.

The section 179 deduction allows a taxpayer to recover all or part of the cost of certain qualifying property, up to a limit, by deducting the cost in the year the taxpayer places the property in service. The taxpayer can elect the section 179 deduction instead of recovering the property's cost by taking depreciation deductions. However, the total amount a taxpayer can elect to deduct under section 179 is subject to certain limitations.

The Economic Stimulus Act of 2008 increased the maximum total amount that a taxpayer could elect to deduct under section 179 to \$250,000 for qualifying property placed in service for taxable years that began in 2008 and 2009. On March 18, 2010, the Congress enacted the Hiring Incentives to Restore Employment Act of 2010 (HIRE Act), which, in effect, extends the availability of the \$250,000 amount to qualifying property placed in service in taxable years beginning in 2010. Without the HIRE Act, the \$250,000 amount would have decreased to \$134,000.

For taxable years beginning after 2010, section 179 provides that the maximum total amount for the section 179 deduction will be \$25,000. Currently, no proposed legislation is pending that would extend the \$250,000 amount to those taxable years. However, each year, the Congress considers whether or not to extend the sections of the Internal Revenue Code with expiration dates, like section 179.

I hope my response is helpful. If we can assist you further, please contact
, Identification Number , at .

Sincerely,

Kathleen Reed

Kathleen Reed
Chief, Branch 7
Office of Associate Chief Counsel
(Income Tax & Accounting)

cc: The Honorable Sherrod Brown
Attention: