L-4209 (Rev. 11-81)

STATE OF MICHIGAN

WILLIAM G. MILLIKEN, Governor

DEPARTMENT OF TREASURY

LOREN E. MONROE, State Treasurer

STATE TAX COMMISSION

4th Floor, Treasury Building
Lansing, Michigan 48922 Telephone 517 373-0500

COMMISSION MEMBERS
W. EUGENE ATKINSON
WARD G. DEXEL
ROBERT O. VANDERMARK

No. 25 - November 10, 1982
Personal Property Expensed
Internal Revenue Code Sec. 179

TO: Assessing Officers
Equalization Directors

FROM: Edward G. Johnson
Assistant Administrator

RE: Personal Property
Internal Revenue Code
Sec. 179 Property

The Internal Revenue Code, as amended in 1981, provides that a taxpayer may elect to treat the cost of qualifying property, called Sec. 179 property, as an expense rather than a capital expenditure. The change becomes effective for the 1982 tax year.

The portion of the acquisition cost that may be treated as an expense rather than a capitol expenditure is limited to $5,000 for property placed in service in 1982 or 1983. When the change is fully phased in, in 1986, the amount expensed will be limited to $10,000.

In order to qualify for the Sec. 179 deduction the property must be depreciable property that qualifies as section 38 property. Section 38 property is property that qualifies for an investment credit and is acquired by purchase for use in a trade or business. Although Section 38 property is primarily machinery and equipment, it does include to a very limited extent certain types of real property.

This bulletin is not intended to interpret the Internal Revenue Code. It is intended to alert assessing officers that the total original cost of personal property should be reflected on the personal property statements by taxpayers even though a portion of the cost may have been recorded in the taxpayers accounting records as an expense pursuant to Sec. 179 of the Internal Revenue Code.

We will revise our personal property statement form L-4125 to call attention to amounts expensed pursuant to Sec. 179.