

Income/Franchise:

Indiana: Bonus Depreciation and IRC §179 Expensing Adjustments on Reported Excess Business Losses

Information Bulletin #118, Ind. Dept. of Rev. (updated 7/21). The Indiana Department of Revenue updated its bulletin addressing Indiana's treatment of federal bonus depreciation and Internal Revenue Code (IRC) section 179 expensing to reflect the Indiana treatment and necessary bonus depreciation and IRC section 179 adjustments when a taxpayer reports excess business losses. According to the bulletin, if a taxpayer has an excess business loss that has been disallowed under certain Indiana statutes (*i.e.*, IC 6-3-1- 3.5(a)(29) or IC 6-3-1-3.5(f)(14)), and a portion of the disallowed loss is the result of bonus depreciation, or to the expensing that a taxpayer elects to claim under IRC section 179 ("Section 179 Allowance"), for property placed into service in the taxable year, a portion of the otherwise required modifications must be treated as occurring in the taxable year following the loss year. The bulletin explains that the portion of the modification required to be taken into account in the following year is the lesser of:

URL: <https://www.in.gov/dor/reference/files/ib118.pdf>

- The total bonus depreciation and federal Section 179 Allowance for property placed into service during the loss year; or
- The excess business loss disallowed for Indiana adjusted gross income tax purposes for the taxable year.

Moreover, "any remaining modification should be treated as a current-year modification." If modifications result from both bonus depreciation and the difference between the federal Section 179 Allowance and the Indiana Section 179 Allowance, "then the modification to be moved to the next year is first allocated to the bonus depreciation modification and only to the Section 179 Allowance once no remaining bonus depreciation modifications remain to be reallocated." The updated bulletin includes numerical examples to help illustrate these adjustments. Please contact us with any questions.

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