

Instructions for Form 2106 Employee Business Expenses

Assets Placed in Service during Tax Years Beginning on or after January 1, 2005. For tax years beginning on or after January 1, 2005, Georgia has now adopted the increased I.R.C. Section 179 deduction (**\$112,000 in 2007**) and the related phase out (**\$450,000 in 2007**) that was enacted as part of the Jobs and Growth Tax Relief Reconciliation Act of 2003. As such, for assets placed in service during 2005 and later, the only Georgia depreciation difference is due to I.R.C. Section 168(k) (30% and 50% bonus depreciation), Section 1400L (tax benefits for the New York Liberty Zone), and I.R.C. Section 1400N(d)(1) (post 8/28/2006 Gulf Opportunity Zone (GOZ) property). Since for 2005 (and before January 1, 2007) this bonus depreciation is only available for certain property having longer production periods and certain aircraft, its impact is limited. Depreciation on assets placed in service during tax years beginning on or after January 1, 2005 which are eligible for the bonus depreciation, must be recomputed using the assumption that the bonus depreciation was **not** available. **At present, Georgia will not follow the increased Section 179 expensing per the Small Business & Work Opportunity Act of 2007 that was signed into law on May 25, 2007.**

Assets Placed in Service during Tax Years Beginning before January 1, 2005. For tax years beginning before January 1, 2005, Georgia did not adopt I.R.C. Section 168(k) (30% and 50% bonus depreciation), Section 1400L (tax benefits for the New York Liberty Zone), and I.R.C. Section 1400N(d)(1) (post 8/28/2006 Gulf Opportunity Zone (GOZ) property). Further, Georgia treated I.R.C. Section 179(b) as it was in effect before enactment of the Jobs and Growth Tax Relief Reconciliation Act of 2003. As such Georgia continued to use a \$25,000 limit for the Section 179 deduction and a \$200,000 limit for the phase out of the Section 179 deduction. Assets placed in service during tax years beginning before January 1, 2005, should continue to be depreciated using the assumption that the bonus depreciation was not allowed and a lower Section 179 amount was used.