

Bonus Depreciation

Overview

The 2008 Economic Stimulus Act created a provision to spur investment by allowing businesses to recover capital expenditure costs faster by providing an additional first-year depreciation of 50 percent (bonus depreciation). Bonus depreciation applies to most new business assets, including solar panels. The bonus depreciation provision was extended for one year in the 2009 American Recovery and Reinvestment Act but unfortunately expired at the end of 2009.

Background

Bonus depreciation refers to a company's ability to expense half the cost of the equipment in the year it has been placed in service and half the cost under its existing tax depreciation schedule. This incentive applied to all equipment placed in service in 2008 and 2009 with a tax depreciation schedule of less than 20 years. The purpose of bonus depreciation was to encourage companies to invest in new plant and equipment.

Extension of bonus depreciation is vital to the solar industry

In the solar industry, bonus depreciation can mean the difference between whether a project gets built or does not get built. Bonus depreciation decreases a solar project's initial capital cost. In today's tight credit markets and with the shortage of investment capital, it is vital to decrease a project's initial capital or the project simply will not happen. Extending bonus depreciation for another year will stimulate significant additional and much needed investment in solar projects in 2010. An additional year of bonus depreciation would increase both solar deployment and solar job creation in the United States in 2010.

About the Solar Energy Industries Association

Established in 1974, the Solar Energy Industries Association is the national trade association of the U.S. solar energy industry. As the voice of the industry, SEIA works with its 1,000 member companies to make solar a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry and educating the public on the benefits of solar energy.

For a referenced version of this factsheet and more information, please visit www.seia.org.