



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 2017

PRINTERS NO. 2998

PRIME SPONSOR: Ryan

### REVENUE INCREASE / (DECREASE)

FUND	FY 2017/18	FY 2018/19
General Fund	(\$8,200,000)	(\$19,300,000)

**SUMMARY:** House Bill 2017, Printer's Number 2998, amends the Tax Reform Code further providing for definitions in corporate net income tax.

**ANALYSIS:** House Bill 2017 decouples the Commonwealth's corporate net income tax from the Federal bonus depreciation provided in the Federal Tax Cuts and Jobs Act of 2017. Specifically, the legislation disallows the Federal bonus depreciation deduction from taxable income provided in Section 168(k) of the IRC and provides an additional deduction equal to the depreciation as determined in accordance with Section 167 (Depreciation) and Section 168 (Accelerated cost recovery system) of the IRC.

The language in the bill applies to tax years beginning on or after January 1, 2017, and applies to property placed into service after September 27, 2017. The act shall take effect immediately.

**FISCAL IMPACT:** The Federal Tax Cuts and Jobs Act of 2017 provided for bonus depreciation of property placed into service after September 27, 2017. In response to the Federal act, the Department of Revenue issued Corporation Tax Bulletin 2017-02 on December 22, 2017, disallowing the Federal bonus depreciation and requiring it to be added back to taxable income while providing no additional mechanism for cost recovery. This legislation simply allows for the recovery of the disallowed depreciation deduction over the life of the property which has no adverse fiscal impact on Commonwealth funds. Initial reductions to General Fund revenues result from the timing of the depreciation deductions; however, this legislation is revenue neutral over the life of the property.

**PREPARED BY:** Ritchie LaFaver  
House Appropriations Committee (R)

**DATE:** March 13, 2018

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*