



President Calls for Expensing for Plants and Equipment as Congress Reconvenes After Summer Recess

September 13, 2010 - On September 8, President Obama unveiled a proposal calling for a 100% tax deduction for plants and equipment as a key component of a new economic package. The proposal calls for a full deduction of qualified capital investments from September 8, 2010 through the end of 2011 or December 31, 2011. This initiative is estimated to cost \$200 billion in the first year but only \$30 billion over the ten year budget cycle. The timing for congressional consideration for the proposal is uncertain at this juncture.

The expensing proposal for plants and equipment was unveiled less than a week before Congress was scheduled to reconvene on September 14 after a six week summer recess. Notably, the Senate already was scheduled to consider a small business tax measure (H.R. 5297) on that date which includes an extension of the 50% first year depreciation deduction for 2010. This provision includes ELFA sponsored language regarding sale-leasebacks, syndications and fractional interests and like kind exchanges in order to enhance liquidity in the equipment finance market. Bonus depreciation expired on December 31, 2009.

Following the resolution of the small business tax measure, the Congress is expected to turn to the extension of expired or expiring tax provisions. In that regard, ELFA is working to reinstate the Subpart F active financing exception for active financial services income which expired on December 31, 2009 until December 31, 2010. This rule allows financial services firms- including manufacturers and leasing companies-to defer current U.S. tax on active trade or business income and assure that such companies will only pay a current tax in the country where their foreign operations are located.

Additional Resources:

- [ELFA Statement on Capital Formation Tax Proposals](#)
- [ELFA Advocacy Website](#)