From: Cherry, Brian K
Sent: 4/27/2011 2:34:05 PM
To: Marzia Zafar (Zaf@cpuc.ca.gov) (Zaf@cpuc.ca.gov); Lindsay Brown (lmb@cpuc.ca.gov) (lmb@cpuc.ca.gov); Buchsbaum, Craig (Law) (/O=PG&E/OU=Corporate/cn=Recipients/cn=CMB3)
Cc:
Bcc:
Subject: FW: Comr Sandoval and the Pres Obama tax stimulus

Marzia,

In response to your email, I am forwarding an article that is a reader-friendly "one-pager" on the recent tax changes from the perspective of business (large and small). As the article notes, in addition to bonus depreciation, businesses – especially small businesses – can benefit from the so-called Section 179 expensing.

- http://www.depreciationbonus.org/pdf-2011/AED-DepreciationBonusColumn-20110217.docx

A couple of other helpful (and hopefully not too technical) sources of advice about bonus depreciation and Section179 expensing may be found at the following links:

- http://ppc.thomsonreuters.com/SiteComposer2/Index.cfm?fuseaction=shell&t
- www.section179.org.

As Commissioner Sandoval suggested at the All-Party, the timing of investments may be important because the bonus depreciation rules generally allow for a 100% tax write-off for investments made in 2011, a 50% write-off for investments made in 2012, and no special write-offs thereafter. We also note the Section 179 expensing rules also will become more restrictive beginning in 2012. First, investments in "qualified real property" will no longer be eligible for expense treatment under Section 179. (Most improvements to buildings cannot qualify for bonus depreciation unless they constitute a "qualified leaseholder improvement). Second, expensing limits under Section 179 for capital investment will be reduced from $500,000 in 2011 to approximately $250,000 in 2012 and then to $25,000 thereafter. The level at which these expense deductions "phase out" is also reduced from $2,000,000 of capital investment (in 2011) to $500,000 in 2012 and $200,000 thereafter.

As for the bonus depreciation matter, here's a short paragraph that describes the matter and what PG&E believes it means in the real world:

On April 24, the CPUC issued a resolution addressing the bonus depreciation provisions of the 2010 Obama Tax Act. The resolution encourages utilities such as PG&E to make additional infrastructure investments in 2011 and 2012 to take advantage of the tax benefits that expire in 2012. PG&E has already indicated to the CPUC that it anticipates making hundreds of millions of dollars in additional investments over the next two years to take advantage of bonus depreciation, resulting in added jobs, improved infrastructure, and other benefits for the state.

PG&E plans to talk with our tax and energy efficiency departments to think of ways to educate customers about bonus depreciation and Section 179 expensing rules. Please thank Commissioner Sandoval for that excellent suggestion.

Feel free to contact Craig Buchsbaum in our law department (415-973-4844) who is knowledgeable on tax matters should you have any questions or concerns. The tax laws are complex and it is important that individual businesses independently assess their own tax circumstances in evaluating the benefits they can derive from these incentives, especially given the many other incentives (in Federal and State taxes as well as from public and utility subsidies) that apply in the energy conservation area.