Because Section 143.121(c), RSMo, references the 2002 Federal Act and not the 2003 Federal Act, any accelerated benefit taken as a result of the 2003 Federal Act qualifies for the same benefit on the Missouri return. (No modification would be required.)

Depreciation Example #1

Purchase Price: $30,000.00, 5 Year, Straight Line, 1/2 year convention, Taking 30% Election

	Federal Depreciation			State Allowable Depr.			Adjustment
	Depr. (A)	Accum. Depr. (B)	Book Value (C)	Depr. (D)	Accum. Depr. (E)	Book Value (F)	on MO-A (A – D)
0.30	9,000.00						
Depr for 1st year	2,100.00						
Deduct 1st year	11,100.00	11,100.00	18,900.00	3,000.00	3,000.00	27,000.00	8,100.00
Depr for 2nd year	4,200.00	15,300.00	14,700.00	6,000.00	9,000.00	21,000.00	-1,800.00
Depr for 3rd year	4,200.00	19,500.00	10,500.00	6,000.00	15,000.00	15,000.00	-1,800.00
Depr for 4th year	4,200.00	23,700.00	6,300.00	6,000.00	21,000.00	9,000.00	-1,800.00
Depr for 5th year	4,200.00	27,900.00	2,100.00	6,000.00	27,000.00	3,000.00	-1,800.00
Depr for 6th year	2,100.00	30,000.00	0.00	3,000.00	30,000.00	0.00	-900.00
	30,000.00			30,000.00			0.00

In Example 1 the portion of the 30% accelerated depreciation disallowed on the Missouri return the first year is recovered over the life of the depreciable property. The $8,100 will be allowed as depreciation on the Missouri return in Years 2–6. (Year 2, $1,800 plus Year 3, $1,800 plus Year 4, $1,800 plus Year 5, $1,800 plus the ½ year $900, equals $8,100.)

How does the Addition and Subtraction for the 30% Depreciation Adjustment Work?

Example #1

Senate Bill 1248 passed in 2002 requires an addition/subtraction for the difference in Federal allowable depreciation prior to the Job Creation and Worker Assistance Act (JCWAA) and the depreciation after the JCWAA for equipment purchased July 1, 2002, to June 30, 2003.

Note: The "net effect" or depreciation allowed on the Missouri return cannot be more than the amount allowed prior to JCWAA passage for property purchased during this period.

For purposes of simplicity of illustration, assume the following:

Asset was put into service on July 1, 2002.
Asset was purchased for $30,000.
Taxpayer is a calendar year filer.
Taxpayer has chosen to take the 30% bonus depreciation.
Taxpayer will depreciate asset using straight-line over 5 years.

1st Year

Federal Bonus depreciation will be $9,000 (30,000 x .3) (purchase price of asset multiplied by 30%)

Federal regular depreciation for the period will be $2,100 (((30,000–9,000)/5)/2) (Purchase price less bonus depreciation divided by number of years (5), then divide by 2 for the ½ year)

Total Federal allowable depreciation will be $11,100 (9,000 + 2,100) (Bonus depreciation plus regular depreciation for the period)

Missouri allowable depreciation will be $3,000 ((30,000/5)/2) (Purchase price divided by the number of years (5), then divide by 2 for the ½ year)

Addition on the Missouri return will be $8,100 (11,100–3,000) (Federal allowable depreciation less the Missouri allowable depreciation)

2nd – 5th Year

Federal allowable depreciation for the period will be $4,200 ((30,000-9,000)/5) (Purchase price less bonus depreciation divided by number of years)

Missouri allowable depreciation will be $6,000 (30,000/5) (Purchase price divided by 5)

Subtraction on the Missouri return will be $1,800 (4,200–6,000) (Federal allowable depreciation less the Missouri allowable depreciation)

6th or 1/2 Year

Federal allowable depreciation for the period will be $2,100 (((30,000–9,000)/5)/2) (Purchase price less bonus depreciation divided by number of years (5), then divide by 2 for the ½ year)

Missouri allowable depreciation will be $3,000 ((30,000/5)/2) (Purchase price divided by 5 then by 2 for the ½ year)

Subtraction on the Missouri return will be $900 (2,100–3,000) (Federal allowable depreciation less the Missouri allowable depreciation)

Depreciation Example #2

Purchase Price: **$3,060 Limit**
200% DDB, 5 year $16,000
1/2 year convention
Taking 30% Election

	Federal Depreciation			State Allowable Depr.			Adjustment
	Depr. (A)	**Accum. Depr. (B)**	**Book Value (C)**	**Depr. (D)**	**Accum. Depr. (E)**	**Book Value (F)**	**on MO-A (A – D)**
Depr for 1st year	4,800.00			3,200.00			
Max for yr 1	2,240.00			3,060.00			
Depr for 2nd year	7,040.00	7,040.00	8,960.00	5,176.00	3,060.00	12,940.00	3,980.00
Max for yr 2	3,584.00			4,900.00			
Depr for 3rd year	3,584.00	10,624.00	5,376.00	3,216.00	7,960.00	8,040.00	-1,316.00
Max for yr 3	2,150.00			2,950.00			
Depr for 4th year	2,150.00	12,774.00	3,226.00	2,036.00	10,910.00	5,090.00	-800.00
Max for yr 4	1,290.00			1,775.00			
Depr for 5th year	1,290.00	14,064.00	1,936.00	2,036.00	12,685.00	3,315.00	-485.00
Max for yr 5	1,290.00			1,775.00			
Depr for 6th year	1,290.00	15,354.00	646.00	1,540.00	14,460.00	1,540.00	-485.00
	646.00	16,000.00	0.00		16,000.00	0.00	-894.00
				16,000.00			
	16,000.00						0.00

How does the Addition and Subtraction for the 30% Depreciation Adjustment Work?

Example #2:

Senate Bill 1248 requires an addition/subtraction for the difference in Federal allowable depreciation prior to the JCWAA and the depreciation after the JCWAA for equipment purchased July 1, 2002, to June 30, 2003. This includes maintaining the automobile caps established prior to the JCWA passage (**Year 1**—$3,060, **Year 2**—$4,900, **Year 3**—$2,950, Year 4 and later—$1,775). (After the JCWAA the cap increased to $7,660.)

(Due to the applied cap, it is necessary to calculate both a federal depreciable basis and a Missouri depreciable basis.)

For purposes of simplicity of illustration, assume the following:

Passenger Automobile was put into service on July 1, 2002.
Asset was purchased for $16,000.
Taxpayer is a calendar year filer.
Taxpayer has chosen to take the 30% bonus depreciation.
Taxpayer will depreciate asset using 200% DDB over 5 years.

1st Year

Federal bonus depreciation will be $4,800 (16,000 x .3) (purchase price of asset multiplied by 30%)

Federal allowable depreciation for the period will be $2,240 (((16,000–4,800)*.4)/2) (Purchase price less bonus depreciation multiplied by .4. Five years is 20% per year; then divide by 2 for the 1/2 year)

Total Federal allowable depreciation will be $7,040 (Lesser of $4,800 + $2,240 or $7,660) (Lesser of bonus depreciation plus depreciation for the period or the JCWAA cap of $7,660)

Missouri depreciation computation will be $3,200 (($16,000*.4)/2) (Purchase price multiplied by .4 (five years is 20% per year; DDB = 40% then divide by 2 for the 1/2 year)

Missouri allowable depreciation will be $3,060 (The lesser of the depreciation computed of $3,200 or the cap of $3,060 before JCWAA)

Addition on the Missouri return will be $3,980 ($7,040–$3,060) (Federal allowable depreciation less the Missouri allowable depreciation)

2nd Year

Federal depreciation computation for the period will be $3,584 ($8,960 * .4) (Book Value multiplied by .4)

Federal allowable depreciation will be $3,584 (Lesser of the depreciation computed of $3,584 or the maximum for passenger vehicles of $4,900)

Missouri depreciation computation will be $5,176 ($12,940 * .4) (Depreciable basis prior to JCWAA multiplied by .4)

Missouri allowable depreciation will be $4,900 (The lesser of the depreciation computed of $5,176 or the maximum for passenger vehicles of $4,900 in year two.)

Subtraction on the Missouri return will be $1,316 ($3,584 – $4900) (Federal allowable depreciation less the Missouri allowable depreciation)

3rd Year

Federal depreciation computation for the period will be $2,150 ($5,376 * .4) (Book Value multiplied by .4)

Federal allowable depreciation will be $2,150 (Lesser of the depreciation computed of $2,150 or the maximum for passenger vehicles of $2,950)

Missouri depreciation computation will be $3,216 ($8,040 * .4) (Depreciable basis prior to JCWAA multiplied by .4)

Missouri allowable depreciation will be $2,950 (The lesser of the depreciation computed of $3,216 or the maximum for passenger vehicles of $2,950)

Subtraction on the Missouri return will be $800 ($2,150 – $2,950) (Federal allowable depreciation less the Missouri allowable depreciation)

4th Year

Federal allowable depreciation for the period will be $1,290 ($3,226/2.5) (Convert to straight line – Book Value divided by 2.5 (the remaining useful life))

Federal allowable depreciation will be $1,290 (Lesser of the depreciation computed of $1,290 or the maximum for passenger vehicles of $1,775)

Missouri depreciation computation will be $2,036 ($5,090/2.5) (Convert to straight line – Book Value divided by 2.5 (the remaining useful life))

Missouri allowable depreciation will be $1,775 (The lesser of the depreciation computed of $1,775 or the maximum for passenger vehicles of $1,775)

Subtraction on the Missouri return will be $485 ($1,290 – $1,775) (Federal allowable depreciation less the Missouri allowable depreciation)

5th Year

Federal allowable depreciation for the period will be $1,290 (As computed in year 4)

Federal allowable depreciation will be $1,290 (Lesser of the depreciation computed of $1,290 or the maximum for passenger vehicles of $1,775)

Missouri depreciation computation will be $2,036 (As computed in year 4)

Missouri allowable depreciation will be $1,775 (The lesser of the depreciation computed of $2,036 or the maximum for passenger vehicles of $1,775)

Subtraction on the Missouri return will be $485 ($1,290 – $1,775) (Federal allowable depreciation less the Missouri allowable depreciation)

6th Year

Federal allowable depreciation for the period will be $646 (Remainder of the Book Value)

Missouri depreciation computation will be $1,540 (Remainder of depreciable basis prior to JCWAA)

Missouri allowable depreciation will be $1,540 (The lesser of the depreciation computed of $1,540 or the maximum for passenger vehicles of $1,775)

Subtraction on the Missouri return will be $894 ($646 – $1,540) (Federal allowable depreciation less the Missouri allowable depreciation)