Accelerated Depreciation for Business Property on Indian Reservations – Tax Incentive

Summary:
- Accelerated depreciation is a critical component of attracting capital-intensive projects on reservations and can bring high-skilled jobs to Indian communities.
- Congress should permanently extend the accelerated depreciation for business property on Indian reservations tax credit by amending Section 168(j) of the Internal Revenue Code (IRC).

Background Information:
Section 168(j) in the IRC allows for the accelerated depreciation for business property on Indian reservations tax credit. This credit authorizes businesses that operate on Indian reservations to depreciate qualifying property and infrastructure investments at an accelerated rate. This incentive helps companies to defers taxes in an asset’s earlier years, as a higher depreciation expense results in a lower taxable net income. Accelerated depreciation is a critical component of attracting capital-intensive projects on reservations and can bring high-skilled jobs to Indian communities. Additionally, cash saved in taxes can be reinvested in the business or in employees.

As of 2007, the accelerated depreciation for business property on Indian reservations tax credit was extended each year near the expiration date or had been retroactive if extended thereafter. However, it expired for tax years beginning after December 31, 2016. The lack of certainty in the future of this tax provisions undermines the ability to attract larger, long-term investments.

Recommendation:
Congress should permanently extend the accelerated depreciation for business property on Indian reservations tax credits by amending Section 168(j) of the Internal Revenue Code.

Suggested Language
Permanent Extension of Depreciation Rules for Property on Indian Reservations.

(1) IN GENERAL. – Subsection (j) of Section 168 of the Internal Revenue Code of 1986 (relating to property on Indian reservations) is amended by striking paragraph (8).

(2) EFFECTIVE DATE. – The amendment made by this section shall apply to property placed in service after December 31, 2007.