

**New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau**

TSB-M-83 (10) I Rev.
Income Tax
August 5, 1983

This memorandum supersedes TSB-M-83-(10)-I dated May 19, 1983, which should be destroyed.

1983 Legislation

Modifications for the Federal Accelerated Cost Recovery System

This memo should be used in conjunction with TSB-M-83-(2)-I, 1982 Legislation Modifications for Federal Accelerated Cost Recovery System.

Chapter 15 of the Laws of 1983 amended sections 612(b)(25) and 612(c)(26) to extend for one year the uncoupling provisions of these sections. Accordingly, New York State will not be conforming to the federal accelerated cost recovery system for taxable years beginning in 1982, 1983 and 1984. In addition, section 612(c)(26) was also amended to make it clear that the amount of depreciation allowable for New York State tax purposes is to be determined under the rules of the Internal Revenue Code section 167 (as it applied to property placed in service on December 31, 1980).

Chapter 15 of the Laws of 1983 added sections 612(b)(27) and 612(c)(28) to provide for an addition or subtraction modification to be made in the year of disposition of the recovery property. The amount to be added or subtracted is the difference between the amount of the federal recovery deduction, which was not allowed as a deduction on the New York return, by reason of section 612(b)(25) and the amount of the depreciation deduction allowed on the New York return by reason of section 612(c)(26). Where the federal deduction exceeds the New York deduction, section 612(c)(28) provides for the subtraction of the difference, in the year of disposition. In the case where the New York deduction exceeds the federal deduction section 612(b)(27) provides for the addition of the difference, in the year of disposition.

This can be illustrated by the following examples:

Example 1

Taxpayer purchased a new car on January 1, 1982, which he uses 100% in his trade or business. The car cost \$10,000, has a useful life of 4 years and a salvage value of \$1,000. For federal purposes the property is considered three year recovery property. The taxpayer sells the car on January 1, 1983. On the taxpayer's 1982 federal return he claimed a recovery deduction of \$2,500 (25% of \$10,000). This deduction was not allowable on his 1982 New York return. The taxpayer has decided to use the straight line method for determining his New York State depreciation deduction. He was required to increase his federal adjusted gross income pursuant to section 612(b)(25) by \$2,500 (the amount of his federal recovery deduction) and to reduce his federal adjusted gross income pursuant to section 612(c)(26) by \$2,250 (25% of \$9,000 (\$10,000 - \$1,000)).

On his 1983 New York State return, the year of disposition of the recovery property, the taxpayer would decrease his federal adjusted gross income by \$250 (\$2,500 - \$2,250) pursuant to section 612(c)(28).

Example 2

Same facts as above except taxpayer used the double declining balance method for computing his New York State depreciation deduction.

The double declining balance method gave the taxpayer a deduction of \$5,000 on his 1982 New York State return, pursuant to section 612(c)(26).

On his 1983 return, the year of disposition of the recovery property, the taxpayer must increase his federal adjusted gross income by \$2,500 (\$5,000 - \$2,500) pursuant to section 612(b)(27).

The modifications for disposition of the assets are effective for taxable years beginning after 12/31/81.

Therefore, returns filed for the tax year 1982 may need to be amended to reflect these new modifications.

Section T46-112.0 of the Administrative Code of the City of New York has been correspondingly amended to conform with the amendments made to section 612 of Article 22 of the Tax Law (sections T46-112.0(b)(26), T46-112.0(b)(28), T46-112.0(c)(25), and T46-112.0(c)(27)).