

1982 Legislation
Modifications for Federal Accelerated Cost Recovery System

The Federal Economic Recovery Tax Act of 1981 introduced new rules for cost recovery for tax purposes.

Chapter 55 of the Laws of 1982 has amended Article 22, with respect to the new federal cost recovery rules, by adding paragraph (25) to Section 612(b) and paragraph (26) to Section 612(c). These modifications are to be made for taxable years beginning in 1982 and 1983. The application of these modifications is designed so that the New York State Tax Law shall not conform to the Internal Revenue Code for 1982 and 1983 for the new federal cost recovery deductions.

The new federal provision for cost recovery is called the Accelerated Cost Recovery System (ACRS) and it will replace the old ADR (Asset Depreciation Range) methods of depreciation pursuant to Section 167 of the Internal Revenue Code. Section 168 of the Code provides for ACRS and applies to property placed in service after December 31, 1980.

Since New York State is not conforming to the federal rules for 1982 and 1983, both modifications mentioned above must be made to federal adjusted gross income for New York State personal income tax purposes.

For taxable years beginning in 1982 and 1983 the amount allowable as a deduction for ACRS under Section 168 of the Internal Revenue Code must be added to federal adjusted gross income pursuant to Sec. 612(b)(25). A corresponding subtraction must be made pursuant to Sec. 612(c)(26) in the same year for the amount allowable as the depreciation deduction pursuant to Section 167 of the Internal Revenue Code as it was in full force and effect on July 31, 1981.

The amount of the modification required to be made under Section 612(c)(26) for 1982 and 1983 for property placed in service in 1981 will be the second and third year depreciation deductions as if Section 167 of the Internal Revenue Code was in effect.

In the case of a partnership which is on a fiscal year basis and is using ACRS to determine cost recovery, the partners will make the modifications on their personal income tax returns for their taxable years 1982 and 1983. The amounts of the modification for the partners will be their distributive share of cost recovery deduction determined as of the end of the partnership year ending within the partner's taxable year. This treatment will be the same for a beneficiary of an estate or trust which is on fiscal year basis.

For taxable years beginning in 1981 and 1984 and thereafter the New York State Tax Law will conform to the Federal depreciation and the modifications will not be required.

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 Article 22 of the Tax Law (Section T46-112.0(b)(26) and Section T46-112.0(c)(25)).