

50% Additional Depreciation Rule for 2009

Providers who buy items in 2009 may be eligible for an additional 50% depreciation allowance. This allowance allows providers to deduct 50% of the business portion of the item in 2009 and depreciate the remaining 50%, thus creating a much higher business deduction this year.

Property that is eligible for this special allowance includes: computers, office equipment, furniture, appliances, play equipment, fences, driveways, and a car. The purchase of home improvements or a home does not qualify. The item must be purchased new in calendar year 2009 (this rule also applies to new items purchased in 2008) and used in your business this year. A used item does not qualify.

Here's an example of how this special allowance works:

- Let's say a family child care provider bought a living room couch for \$1,000 in March 2009 and her Time-Space Percentage for the year is 40%.
- $\$1,000 \times 40\% = \400 (the business portion of the couch)
- $\$400 \times 50\% = \200 (the amount of the special depreciation allowance that can be deducted on Form 4562, line 14 in 2009)
- The remaining amount must be depreciated ($\$400 - \$200 = \$200$)
 - $\$200 \times 14.29\% = \28.58 (the amount that can be depreciated in 2009 using the 7 years accelerated depreciation rule on Form 4562, line 19c)
- Total amount of deductions for 2009: $\$200 + \$28.58 = \$228.58$
- Under the old rules the provider would only be able to deduct \$57.16 ($\$400 \times 14.29\%$)

This handout was produced by Resources for Child Caring (www.resourcesforchildcare.org). For additional family child care business publications, contact Resources for Child Caring's publishing division, Redleaf Press, at 800-423-8309 or visit www.redleafpress.org.