
Section 2

Changes in Law and Regulations

The statistics in this report reflect, in general, changes in law and regulations that became effective during the 1999 accounting periods covered. Depending on the accounting period used and effective date of the change in law, the changes may have been fully applicable for some corporations, only partially applicable for others, and not applicable at all for still others.

The information that follows highlights the major changes that substantially affected the comparability of the statistics in this report with those of prior years.

Most of the changes in law and regulations resulted from the Tax Relief Extension Act of 1999. The Tax Relief Extension Act of 1999 restored several expired credits. More detail on the specific provisions that were changed is contained in Section 5, Explanation of Terms.

Depreciation and Section 179 Deduction

The total Internal Revenue Code section 179 deduction and depreciation allowable on a vehicle (that is not a clean-fuel car) used for business purposes and placed in service in 1999 could not exceed \$3,060. Furthermore, allowable depreciation could not exceed \$5,000 in the second year, \$2,950 in the third year, or \$1,775 for any additional years. Also, the maximum section 179 expense deduction was increased to \$19,000 (\$39,000 for enterprise zone businesses).

Net Gain (or Loss), Noncapital Assets

The definition of noncapital assets was expanded after December 16, 1999 to include the following categories of assets:

- 1) Any commodities derivative financial instrument held, acquired, or entered into by a commodities derivatives dealer unless it is clearly identified in the dealer's records before the close of the day on which the instrument was acquired, originated, or

entered as having no connection to the activities of the dealer as a dealer;

- 2) any hedging transaction clearly identified as a hedge on a specified property before the close of the day on which it was acquired, originated, or entered into;
- 3) supplies regularly used or consumed in the ordinary course of a trade or business.

Renewable Electricity Production Credit

The Tax Relief Extension Act of 1999 extended the time for placing a qualified facility in service until December 31, 2001. However, electricity produced by a qualified wind facility placed in service after June 30, 1999, and sold to a utility under a contract originally entered into before 1987 may not qualify for the credit. The credit was also expanded to include poultry waste facilities placed in service after 1999.

Research Activities Credit

The Tax Relief Extension Act of 1999 extended the credit for amounts paid or incurred through June 30, 2004, increased the alternative incremental credit rates by one percentage point for tax years beginning after June 30, 1999, included research conducted in Puerto Rico or a U.S. possession, and suspended the research credit attributable to periods after June 30, 1999.

Welfare-to-Work Credit

The Welfare-to-Work Credit was extended for qualified individuals who began work for the employer before January 1, 2002.

Work Opportunity Credit

The Work Opportunity Credit was extended to include wages paid to qualified individuals who began work for the employer on or after July 1, 1999 and before January 1, 2002.