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Congress of the United States

JOINT COMMITTEE ON TAXATION

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APR 04 2008

Honorable Gene Taylor
U.S. House of Representatives
2269 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Taylor

This responds to your request dated January 24, 2008, for a revenue estimate of a proposal that would remove one of the requirements for the special depreciation allowance available to certain extension property included in the Gulf Opportunity Zone.

Under present law, 50-percent bonus depreciation is permitted for certain qualified Gulf Opportunity Zone ("GO Zone") extension property. GO Zone extension property includes property substantially all of the use of which is in one or more specified portions of the GO Zone, and, generally, which is nonresidential real property or residential rental property placed in service by the taxpayer on or before December 31, 2010. Certain tangible property may qualify to the extent used in such buildings. In the case of self-constructed property, the taxpayer must begin manufacturing, constructing, or producing the property before January 1, 2008, ("commencement date"). Additionally, only the portion of the adjusted basis of real property that is manufactured, constructed, or produced before January 1, 2010, is eligible ("progress expenditure" rule).

Your proposal removes the January 1, 2008, commencement date for manufacturing, constructing, or producing property placed in service after December 31, 2007, and on or before December 31, 2010.

The estimated effect on Federal fiscal year budget receipts of this proposal assuming an enactment date of June 1, 2008, is the following:

Item	Fiscal Years							
	[Millions of Dollars]							
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2008-13</u>	<u>2008-18</u>
Waive commencement date requirement for certain GoZone property...	---	-92	-173	-72	-6	-1	-344	-308

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U.S. House of Representatives

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I hope that this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward D. Kleinbard", written in a cursive style.

Edward D. Kleinbard