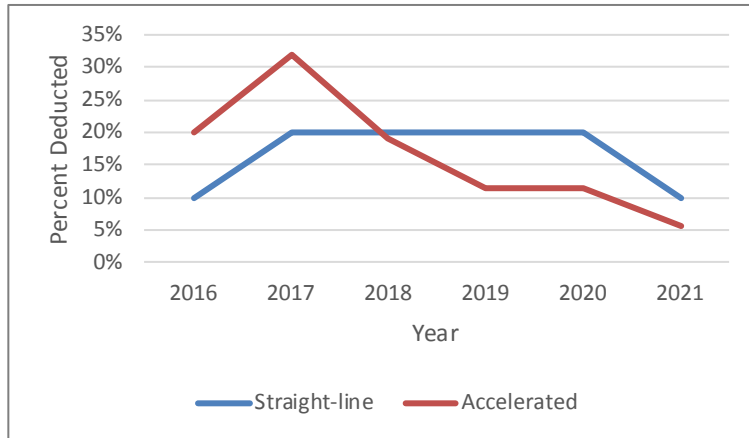


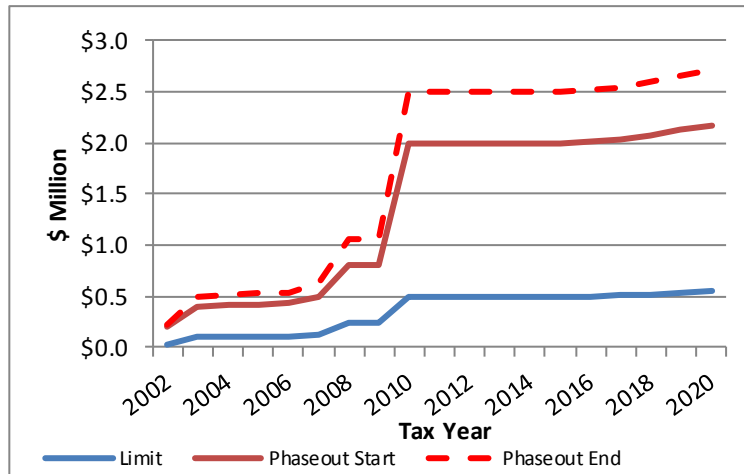
Depreciation and Expensing

Depreciation is an income tax deduction that allows a taxpayer to recover the cost or other basis of certain property. It is an annual allowance for the wear and tear, deterioration, or obsolescence of the property -- IRS

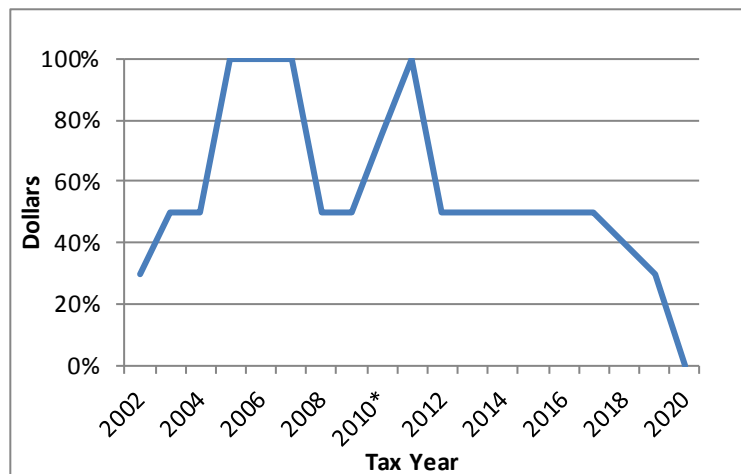
Straight-line vs. Accelerated
5-year, midpoint



Section 179 Expensing



Bonus Depreciation



Example Using 5-year schedule, half-year convention

	Tax Year						Total
	2016	2017	2018	2019	2020	2021	
Depreciation (MACRS)	20.00%	32.00%	19.20%	11.52%	11.52%	5.76%	100%
Section 179	\$500,000						
Bonus Depreciation	50%						
Equipment Cost	\$2,000,000						

	No Bonus Depreciation						Total
	2016	2017	2018	2019	2020	2021	
<i>Section 179</i>	\$500,000						
<i>Depreciation</i>	\$300,000	\$480,000	\$288,000	\$172,800	\$172,800	\$86,400	
Total	\$800,000	\$480,000	\$288,000	\$172,800	\$172,800	\$86,400	\$2,000,000

	With Bonus Depreciation						Total
	2016	2017	2018	2019	2020	2021	
<i>Section 179</i>	\$500,000						
<i>Bonus Depreciation</i>	\$750,000						
<i>Depreciation</i>	\$150,000	\$240,000	\$144,000	\$86,400	\$86,400	\$43,200	
Total	\$1,400,000	\$240,000	\$144,000	\$86,400	\$86,400	\$43,200	\$2,000,000

Oregon Enhancement							
<i>Current Law / Fed Connect</i>	\$1,400,000	\$240,000	\$144,000	\$86,400	\$86,400	\$43,200	
<i>Oregon Bonus</i>	\$600,000	-\$240,000	-\$144,000	-\$86,400	-\$86,400	-\$43,200	\$2,000,000

Tax Impact*							
<i>Current Law / Fed Connect</i>	-\$126,000	-\$21,600	-\$12,960	-\$7,776	-\$7,776	-\$3,888	-\$180,000
<i>Oregon Bonus</i>	-\$180,000	\$0	\$0	\$0	\$0	\$0	-\$180,000

* Based on a 9% tax rate