

House Approves Renewal of Depreciation Tax Rule

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The U.S. House of Representatives passed a bill that included a National Retail Federation-supported provision allowing retailers to depreciate remodeling and other improvements to their stores over a 15-year period. H.R. 4213, the American Jobs and Closing Tax Loopholes Act of 2010, had not been able to pass the U.S. Senate by early July.

If signed into law, the so-called "tax extenders" bill would retroactively renew about 50 tax provisions that expired at the end of 2009, keeping them in place through the end of 2010. The NRF supported one of the tax provisions that would allow retailers to depreciate remodeling and other improvements to their stores over a 15-year period, rather than the previous 39 years. The depreciation period was previously 39 years, but was reduced to 15 in 2004 for leased property and restaurants, and expanded in 2008 to include owned retail stores and new restaurant construction.

The NRF commented that 39 years is an unrealistic depreciation period, given that retailers typically remodel their stores every five to seven years.

"If the depreciation provision is not extended, the cost of making needed improvements to a retail store or restaurant must be written off over nearly four decades," said Steve Pfister, NRF's senior vice president for government relations. "This would have a significant negative impact on a retailer's decision to make improvements and, in this economic climate, could result in more store closures, costing retail industry jobs."

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