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The Economic Recovery Tax Act (ERTA) of 1981 introduced major policy initiatives designed to encourage capital formation. Economic conditions which indicated the need for more rapid capital formation included high inflation, a productivity decline, and a perceived deterioration in international competitiveness of the U.S. economy [1]. An important component of ERTA was the Accelerated Cost Recovery System (ACRS), which sharply liberalized tax rules for depreciation.

This article presents the first available corporation tax data on ACRS. The sample data conservatively show that under the new accelerated depreciation provisions corporations were permitted tax deductions totalling \$33 billion on property purchased in 1981. Partly as a result of ACRS, corporate deductions for depreciation increased by 18 percent, to a total of \$186 billion. This increase offset much of the cash flow shortages accompanying profit decreases during the recessionary year of 1981 [2].

Figure A shows the importance of depreciation and other deductions for noncash expenses, of which depreciation makes up about 90 percent. Since 1960 deductions for noncash expenses have contributed more to corporate cash flow than have undistributed profits after tax, and often by a wide margin. More important is the stability which deductions for noncash expenses bring to cash flow, helping corporations weather cyclical downswings with less

disruption of spending patterns. This historical record indicates the impact of depreciation tax rules on the financial wellbeing of the corporate sector [3].

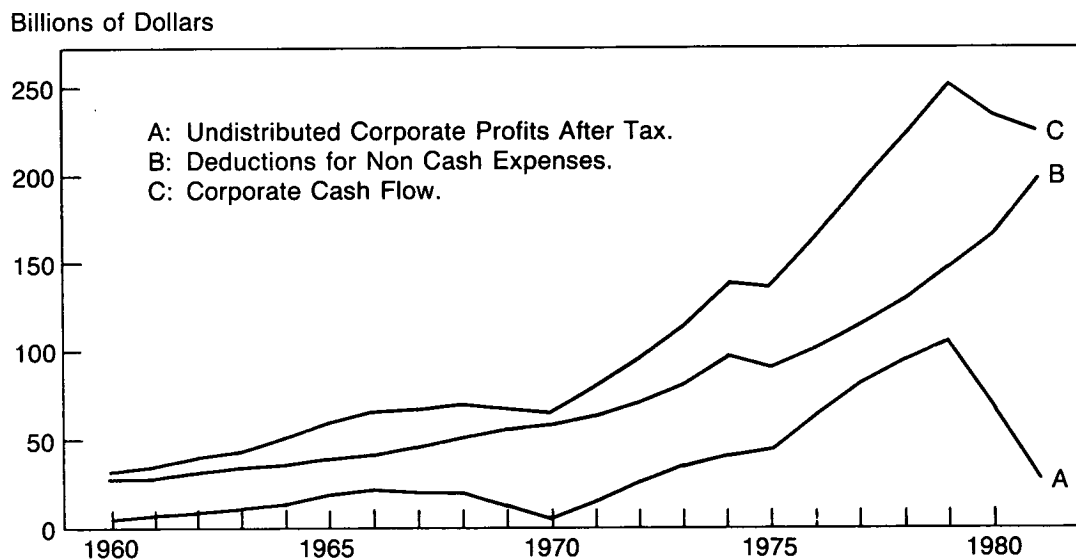
THE NEED FOR NEW ACCELERATED DEPRECIATION POLICY

In 1981, the pool of financial resources that feed investment spending was feared by some to be drying up because of declining saving rates in the 1970's [4]. During the time that capital formation policy was being developed, much public discussion emphasized low personal saving rates and disincentives to work. However, ERTA was designed to encourage not only personal saving [5] but also business fixed investment. ACRS and other parts of ERTA focused on the creation of incentives for businesses to spend for new plant and equipment [6].

A new policy to encourage business fixed investment was considered necessary by many who argued that in the years ahead a given amount of capital growth would require more investment than in the past due to advancing age of the nation's capital stock. Extra investment spending was also needed to replace energy-inefficient capital, and to purchase additional pollution control equipment.

ACRS was designed to encourage business fixed investment by increasing the return on invested capital. ACRS was to raise the return on

Figure A  
Corporate Cash Flow



capital by accelerating corporate cash flow from depreciation charges, a major source of internally generated funds available to corporate management for capital spending.

#### PAST POLICY FOR ACCELERATED DEPRECIATION

The tax laws have allowed corporations to use accelerated depreciation for the computation of taxes since the 1930's. However, the laws were administered with a strong preference for the straight line method until 1954. With the passage of new tax legislation that year businesses were encouraged to use accelerated depreciation in order to stimulate investment spending to combat the 1953-54 recession [7]. The Internal Revenue Code of 1954 introduced two accelerated depreciation options for tax purposes: the double declining balance and sum-of-year's digits methods.

Although past depreciation policy aimed at achieving accelerated depreciation largely through permitting the use of skewed depreciation rates, changes in procedures for setting asset tax life were also used to accomplish faster write-offs. From 1920 to 1962 IRS encouraged companies, when computing deductions for depreciation expense, to set asset lives according to Bulletin F (as revised in 1931 and 1942), which suggested tax lives for several thousand different capital goods [8]. In 1962 a new procedure was introduced (Revenue Procedure 62-21) which established guidelines for companies to use in establishing tax lives for assets in about 100 designated classes [9]. Revenue Procedure 62-21 resulted in somewhat shortened write-off periods than allowed under Bulletin F.

In 1971, a further shortening of tax life for equipment was accomplished through the introduction of the Asset Depreciation Range (ADR) procedure. ADR allowed the taxpayer to select asset tax lives within a range of plus and minus 20 percent of the 1962 guidelines. The use of the lower bound of ADR gave the taxpayer the option of substantially shorter tax lives and, therefore, speedier depreciation [10]. The new rules did not extend to depreciation of real property. ADR remains in effect for assets placed in service before 1981.

#### ACCELERATED COST RECOVERY LEGISLATION OF 1981

The major thrust of ACRS was to transform concepts of asset life and to shorten them for tax purposes. The Act established the following asset classes, named according to their respective cost recovery periods.

3-Year Assets.--This class includes automobiles, light trucks, research and development equipment and all other equipment with average life of 4 years or less under the ADR system. This class also includes race horses more than 2 years old when put in service and all other horses more than 12 years old when put in service.

5-Year Assets.--A "catch-all" class, this includes mostly capital equipment that is not placed in one of the other classes by the Act. Specifically included in the 5-year class, however, are single-purpose agricultural structures, horticultural structures, and facilities for the storage of petroleum and primary petroleum products.

10-Year Assets.--This class covers public utility property with service life between 10 1/2 and 25 years according to the ADR system, coal utilization equipment which does not fit the 3- or 5-year classes, railroad tank cars, and manufactured homes. Investments in recreational "theme parks" are also included in this class.

15-Year Public Utility.--This class includes public utility property with service life of more than 25 years under the ADR system.

15-Year Real Property.--Within this class a distinction is made between low income housing investments and other real property, the former being given a slightly faster depreciation schedule.

ACRS also made substantial changes in the rules governing depreciation rates. The Act specified annual rates based on a complicated set of depreciation procedures that combined declining-balance and straight-line methods. Originally, for capital bought beyond 1984, increasingly rapid depreciation was to be provided. This part of ACRS was repealed by the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA). However, the investment decisions represented by the 1981 ACRS data presented by this article were made in the context of the original law.

The 1981 Act specified that companies choosing accelerated depreciation must use IRS tables of depreciation rates based on the foregoing methods for depreciable assets acquired after December 31, 1980. Assuming the "half-year convention," whereby an asset is charged with a half-year's depreciation for its first tax life year regardless of the time of year it was actually put in service, the tables prescribed 1981 depreciation rates of 25 percent, 15 percent, and 8 percent for the 3-, 5-, and 10-year asset classes respectively. For 15-year public utility property, the rate was 5 percent. For 15-year low-income housing property, the rate ranged from 13 percent to 1 percent, depending on the month placed in service. Similarly, for 15-year property other than low-income housing, the rate ranged from 12 percent to 1 percent. These rates were one-half of what their first year rates would have been on an annual basis because of the "half-year convention."

ACRS provided non-accelerated depreciation options for companies choosing to stretch out their write-off periods. The straight line

method can be used in combination with the following asset tax life options:

Asset Class	Straight-line Options, (in Years)
3-year property .....	3, 5, 12
5-year property .....	5, 12, 25
10-year property .....	10, 25, 35
15-year public utility property .....	15, 35, 45
Real property .....	15, 35, 45

As in the past, taxpayers are permitted, under Section 168(e)(2), to exclude certain types of property from ACRS depreciation rates and write them off according to more appropriate procedures. For example, depreciation charged per year according to units of production would be more appropriate for capital whose utilization rates vary sharply from year to year.

Finally, ACRS has no provision for the salvage value of depreciable property. Past practice had been to subtract salvage value from the cost of the asset in determining basis for depreciation. Under ACRS, the full cost of the asset can be depreciated.

#### ACRS COSTS AND DEDUCTIONS IN 1981

Under ACRS, corporations took almost \$33 billion worth of depreciation deductions charged against capital goods purchased during the sample period after December 31, 1980 [1]. The table on the following page displays, for each asset class, 1981 tax deductions for depreciation as reported by companies, in the aggregate, in selected industrial groups. In the table, columns 1 and 2 present business receipts and net depreciable assets for each industrial group. These data provide measures of total industrial group size against which to assess the ACRS data.

Figure B presents data on ACRS depreciation deductions for all industries combined.

Figure B.--1981 ACRS Depreciation Deductions, All Industries

Asset Class	Deductions for Depreciation
	(Millions of Dollars)
All Classes	\$32,976
3-year	6,123
5-year	21,904
10-year	581
15-year real property except for low income housing	1,203
15-year public utility property	803
All other deductions for determinable property *	773
Undeterminable property	1,589

\* Includes deductions for low income housing property, real property other than low income housing depreciated on straight line basis, and property subject to IRC 168(e)(2).

Almost 5 percent of ACRS deductions were for properties about which taxpayers provided insufficient information to determine asset class (see note on data limitations at end of article).

#### DEPRECIATION DEDUCTIONS AND CORPORATE CASH FLOW

To assess the financial impact of ACRS on corporations in 1981, it is useful to examine statistics on U.S. corporate cash flow in recent years. Figure C shows the importance of depreciation and other noncash expenses in the generation of internal funds used by corporate management to finance capital expansion [12].

Figure C.--Components of Corporate Cash Flow

Year	Undistributed Corporate Profits after Tax	Noncash Expenses	Cash Flow
	(Billions of Dollars)		
1976	64.5	100.2	164.7
1977	82.8	113.6	196.4
1978	95.0	128.9	223.9
1979	106.1	147.7	253.8
1980	66.4	167.6	234.0
1981	27.0	198.8	225.8

The concept of cash flow used here is the combination of undistributed after tax net income (less losses) and deductions for expenses that do not require cash expenditure. These expenses are depreciation, depletion and amortization. Depreciation is by far the largest, having accounted for more than 90 percent of total noncash expenses in recent years. Depletion makes up most of the rest.

Depreciation--and the other noncash expenses--has a stabilizing influence on cash flow. Net income, on the other hand, is especially vulnerable to downswings in the economy such as occurred in early 1980 and again in the third quarter of 1981. Thus, between 1979 and 1980, the net income component of cash flow dropped from \$100 billion to \$66 billion, almost 38 percent, while cash flow declined from \$254 billion to \$234 billion, about 8 percent. Between 1980 and 1981, net income again fell--this time by 59 percent (from \$66 billion to \$27 billion); total cash flow, though, declined by only 3 percent (from \$234 billion to \$226 billion).

Not only does the depreciation deduction contribute to the stability of corporate cash flow, but it is also its largest single component. This is even true when prosperity and inflation raise corporate profits and reduce the relative position of depreciation. Thus, in 1979, the peak year of the long expansion following the 1974-75 recession, depreciation made up 54 percent of corporate cash flow. Then, when recession hit in 1980 depreciation rose to 67 percent. When recession hit again in 1981, depreciation rose to 82 percent of cash flow.

Table 1.--Accelerated Cost Recovery: 1981 Data From Corporation Tax Returns  
 [All figures are estimates based on samples--money amounts are in millions of dollars]

Industrial Group	Deductions by Asset Life Class										Underde- inable property (12)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		(11)
	Total business receipts	Total depreciable assets	Number of returns with accelerated depreciation	Three- year year	Five- year year	Ten- year year	Fifteen- year public utility	Low income housing	Fifteen- year real property except low income housing	Real property except low income hous- ing, straight line option	Property subject to IRC 168 (e)(2)	
All industries*	6,244,678	1,494,882	2,321,457	6,123	21,904	581	803	96	1,203	320	357	1,589
Agriculture, forestry, and fishing	60,907	14,502	77,577	75	281	3	--	1	11	4	1	4
Mining	189,352	45,177	25,423	124	978	6	--	2	15	3	10	40
Metal mining	5,618	4,043	52	2	39	--	--	--	1	--	--	3
Coal mining	17,401	5,805	15	15	114	4	2	2	4	2	2	3
Oil and gas extraction	158,352	30,244	18,956	102	772	3	--	2	9	2	8	30
Construction	270,543	26,369	241,852	319	541	3	1	4	38	10	10	30
Manufacturing	2,487,696	524,895	226,574	2,305	10,377	131	37	29	487	86	106	652
Food and kindred products	269,404	38,480	15,672	245	741	55	--	3	46	12	1	208
Tobacco manufactures	28,164	7,341	109	14	134	--	--	--	8	1	--	--
Textile mill products	42,249	7,170	4,641	9	155	2	--	--	8	1	--	--
Apparel and other textile products	51,480	2,916	14,589	17	77	--	--	--	12	--	--	1
Lumber and wood products	49,185	15,973	14,442	29	189	2	--	1	14	2	--	14
Furniture and fixtures	19,153	2,449	5,965	12	46	--	--	1	8	1	--	5
Paper and allied products	59,771	20,808	3,335	36	310	1	--	1	16	1	--	7
Printing and publishing	77,374	15,595	31,417	49	541	4	--	1	25	3	5	10
Chemicals and allied products	200,696	59,859	9,151	146	1,216	28	1	4	46	15	4	66
Petroleum and coal products	669,107	123,676	1,868	72	1,542	13	1	4	42	6	2	4
Chemicals and allied products	43,455	8,492	9,474	43	103	--	--	1	7	2	1	36
Rubber and leather products	12,941	1,117	1,627	2	20	--	--	--	4	--	--	--
Stone, clay, and glass products	48,107	16,651	8,736	38	296	6	--	--	17	4	1	17
Primary metal industries	148,361	46,773	4,632	28	520	1	1	1	22	7	4	4
Ferrous metal industries	97,266	28,375	2,667	18	354	--	--	--	13	3	--	3
Nonferrous metal industries	51,315	18,398	1,966	10	166	1	1	1	9	3	4	3
Fabricated metal products	122,891	22,247	37,733	96	505	4	3	3	33	3	2	34
Machinery, except electrical	175,023	41,975	23,073	166	1,000	2	1	3	48	10	40	134
Electrical and electronic equipment	170,970	35,376	13,293	346	1,184	5	29	2	34	5	22	72
Motor vehicles and equipment	147,284	28,243	2,728	851	748	--	--	4	34	8	1	48
Transportation equipment except motor vehicles	67,539	15,289	3,496	33	579	5	--	4	16	2	33	16
Instruments and related products	45,169	9,180	4,447	46	333	--	--	2	17	2	--	11
Transportation and public utilities	575,602	571,894	92,797	607	4,949	369	744	3	121	13	172	333
Transportation	216,101	100,568	73,371	333	1,828	21	1	1	34	9	155	221
Railroad	42,158	41,608	137	17	821	3	--	--	6	1	150	186
Local and interurban passenger transit	3,851	1,154	6,706	20	28	--	--	--	6	1	--	--
Trucking and warehousing	60,172	12,907	33,227	209	223	2	1	1	13	2	1	27
Water	15,257	8,289	7,323	12	151	1	--	--	2	1	1	4
Air	45,337	23,671	5,393	11	372	1	--	--	7	2	3	2
Communication	113,965	165,133	9,356	121	2,518	9	262	1	46	1	1	8
Telephone, telegraph, etc.	99,127	160,187	4,056	107	2,239	8	262	1	39	1	--	5
Radi and television	14,838	4,945	5,300	15	279	--	--	--	7	1	1	3
Electric, gas, and sanitary services	245,556	306,194	10,071	153	603	340	481	1	41	3	16	104
Electric services	72,781	158,961	18	18	175	136	283	--	3	1	1	24
Gas production and distribution	115,339	49,683	1,038	113	283	119	41	--	3	1	13	38
Combination utility services	51,657	91,859	341	16	106	85	150	--	28	1	--	40
Wholesale trade	1,119,777	50,164	233,685	426	1,007	9	2	6	66	17	11	208
Retail trade	873,728	75,535	485,021	684	1,145	23	4	10	133	30	11	116
Finance, insurance, and real estate	330,632	109,851	312,193	385	1,265	15	7	21	192	128	21	118
Services	328,054	75,863	626,335	1,192	1,349	22	5	17	137	29	14	87

\* Does not include 0.2 percent of sample returns that were not allocable to an industrial group.  
 NOTE: Detail may not add to total because of rounding and the exclusion of data from tiny and non-classified groups.

Lower recessionary profits were largely responsible for these upward shifts. However, depreciation deductions were also growing rapidly. This was especially true in 1981, with the help of ACRS.

For several years before 1981, depreciation deductions had annual growth rates between 13 and 14 percent; then in 1981 depreciation deductions increased by 18.3 percent (see Figure D). It is likely that the increase in depreciation deductions provided by ACRS over the amount that would otherwise have been claimed in this recessionary year had a major role in the accelerated growth.

Figure D.--Depreciation in Recent Years: All Industries

Year	Total Depreciation Deductions (Millions of Dollars)	Percent Change
1977 .....	\$107.0	14.1%
1978 .....	121.3	13.4
1979 .....	138.5	14.2
1980 .....	157.3	13.6
1981 .....	186.2	18.4

If one assumes that, in the absence of ACRS depreciation deductions would have continued to grow at the 1977-1980 average of 13.8 percent, then depreciation would have grown by about \$7 billion less and cash flow, rather than falling by 3 percent in 1981 would have declined by almost 7 percent.

#### ACRS DEDUCTIONS BY INDUSTRY DIVISION

Figure E shows 1981 cash flows and ACRS deductions for industry divisions. Deductions for depreciation and other noncash expenses played a decisive role in corporate cash flow not only on an overall basis but also in each industry division; in fact, four of the divisions would have had cash drain without the noncash expenses.

Figure E.--ACRS Deductions and Corporate Cash Flow by Industry Division, 1981

Industry Division	Undistributed Corporate Profits after Tax	Deductions for Noncash Expenses	Cash Flow	ACRS Deductions
(Millions of Dollars)				
	(1)	(2)	(3)	(4)
All industries .....	26,960	198,837	225,797	32,976
Agriculture, forestry and fishing .....	-598	2,580	1,982	380
Mining .....	-1,290	8,122	6,832	1,180
Construction .....	627	5,702	6,329	956
Manufacturing .....	28,113	82,887	111,000	14,210
Transportation and public utilities .....	-5,287	47,327	42,040	7,311
Wholesale trade .....	10,291	9,130	19,421	1,752
Retail trade .....	2,330	13,114	15,444	2,156
Finance, insurance and real estate .....	-9,832	14,338	4,506	2,152
Services .....	2,624	15,515	18,139	2,852

NOTE: Groups will not add to totals because of rounding and exclusion of non-allocable business.

The impact of depreciation deductions for assets covered by ACRS varied widely from sector to sector. The \$33 billion ACRS deductions for all industries amounted to almost 15 percent of cash flow. The \$1.8 billion of deductions claimed by corporations in wholesale trade was only 9 percent of cash flow in 1981.

At the opposite end of the scale, deductions of \$2.2 billion in the finance, insurance, and real estate sector amounted to 48 percent of cash flow.

#### SUMMARY

The 1981 ACRS data show that corporate depreciation deductions under ACRS totalled \$33 billion. These deductions were mostly for short-life assets (89 percent for determinable assets with tax lives of 5 years or less).

ACRS figured importantly in an 18 percent increase in depreciation charges in 1981, pushing total deductions for non cash expenses to \$199 billion and adding to cash flow an amount sufficient to offset most of the decline in undistributed corporate profits.

The relative importance of ACRS in 1981 was shown to vary widely from sector to sector.

#### DATA SOURCES AND LIMITATIONS

The ACRS data presented in this article were estimated from a stratified probability sample of about 89,000 corporation income tax returns selected after revenue processing but before audit. The returns were generally stratified using net income or deficit, total assets, and business activity. The corporation population from which the sample was drawn contained the following types of returns: Form 1120--U.S. Corporation Income Tax Return; Form 1120M--U.S. Mutual Insurance Company Income Tax Return; Form 1120S--U.S. Small Business Corporation Income Tax Return; Form 1120F--Return of a

Foreign Corporation; and Form 1120-DISC-- Domestic International Sales Corporation Return.

Because the data are estimates based on a sample, they are subject to sampling error. The coefficient of variation (CV) measures sampling error. The following table presents approximated CV's for estimates of number of returns. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For numbers of corporations other than those shown, the corresponding CV's can be estimated by interpolation.

Estimated Number of Returns	Approximated Coefficient of Variation
1,000,000	0.02
160,000	0.05
40,000	0.10
10,000	0.20
4,500	0.30
3,300	0.35
1,600	0.50

Collection of ACRS data for 1981 presented some special problems. It was necessary for taxpayers to complete a new and somewhat complicated form for the reporting of ACRS depreciation data. In many cases taxpayers entered data in such a manner that it was impossible to identify asset class or depreciation method. Although such data were usable in the totals, for breakdowns into asset life classes, and depreciation methods it was necessary to place them in "undeterminable" categories.

In addition, some taxpayers provided no data, indicating instead that data would be provided on request. There was no follow-up procedure in 1981 to obtain data in these cases. Also note that the Statistics of Income sample consists of returns filed for corporate accounting years ending between July 1981 and July 1982. This resulted in about 27 percent of the returns in the sample representing business activity that took place before the effective date of ACRS. These factors give a downward bias of an unknown size to the ACRS estimates presented in this article.

#### NOTES AND REFERENCES

[1] Between 1977 and 1980, output per worker slid from a 2-percent annual growth rate to a 1-percent decline, while the growth rate for compensation per worker rose from 7 percent to 10 percent. These discrepant growth rates caused unit labor cost growth, one of the main underlying bases of inflation, to go from 5 percent in 1977 to 11 percent in 1980. Bureau of Labor Statistics data taken from Executive Office of the President, Economic Report of the President and the Annual Report of the Council of Economic Advisors, 1984, p. 267.

Capital formation, as measured by annual growth in capital per worker, had progressed in the neighborhood of 3 percent during most of the postwar period before to 1970. But in the first half of the 1970's it dropped to 1.2 percent and then further to 0.8 percent in the last half of the decade. For a focus on the late 1970's productivity decline, see Denison, Edward F., "Explanations of Declining Productivity Growth," Survey of Current Business, August 1979, Part II, pp. 1-24. Good summaries are also found in the Economic Report of the President, 1979 and 1980 editions.

The capital/labor ratio was computed with Net Stock of Fixed Nonresidential Private Capital (Bureau of Economic Analysis, U.S. Department of Commerce) and Civilian Labor Force (Bureau of Labor Statistics, U.S. Department of Labor). Historical capital stock data can be found in U.S. Department of Commerce, Statistical Abstract of the United States, 1984 p. 479. Capital stock for recent years can be found in U.S. Department of Commerce, Survey of Current Business, August 1983, p. 62. Civilian Labor Force data can be found in Economic Report of the President, 1984 p. 254.

- [2] As represented by tax return data, corporate profits declined by 12.4 percent in 1981. See Samuelson, Ray "Corporation Income Tax Returns," Statistics of Income Bulletin, Winter 1983-1984, pp. 23-27. See also U.S. Department of Treasury, Internal Revenue Service, Statistics of Income--1981, Corporation Income Tax Returns, p. 24.
- [3] Cash flow was computed from profits for tax purposes. Were book profits used, the relative position of depreciation and other noncash expenses in cash flow would be somewhat reduced.
- [4] Corrado, Carol, and Steindel, Charles, "Perspectives in Personal Saving," Federal Reserve Bulletin, August 1980, Board of Governors of the Federal Reserve, pp. 613-652, and Auerbach, Alan, "Issues in the Measurement and Encouragement of Business Saving," Saving and Government Policy, 1982, Federal Reserve Bank of Boston, pp. 79-100.
- [5] For an up-to-date analysis of efforts to encourage household saving, see Galper, Harvey, and Steuerle, Eugene, "Tax Incentives for Saving," Statistics of Income Bulletin, Spring 1984, pp. 1-8.
- [6] For more discussion see Pechman, Joseph A., Federal Tax Policy, Fourth Edition, The Brookings Institution, (Washington, 1984), Chapter 5. See also Mitchell, Karlyn, "Taxation of Corporate Income," Economic Review, September-October 1983, Federal Reserve Bank of Kansas City, pp.

7-23; Auerbach, Alan, "Taxation, Corporate Financial Policy and the Cost of Capital," Journal of Economic Literature, September 1983, pp. 905-940; and also by Auerbach, "Corporate Taxation in the United States," Brookings Papers in Economic Activity, 2:1983, pp. 451-513.

For more sharply focused analysis, see Schreiber, I., Malaga, S. and Skiba, J., New Tax Developments Concerning Planning For Depreciation, Operation and Disposition of Plant (and Other Real Property), Equipment and Machinery, Panel Publishers (Greenvale, New York, 1982); Sunley, Emil M., "Depreciation and Leasing Under the New Tax Law," National Tax Journal, September 1982, pp. 287-294, and 287-294, and Sunley, "Acceleration of Tax Depreciation: Basic Issues and Major Alternatives," Depreciation, Inflation, and the Taxation of Income from Capital, ed. C.R. Hulten, The Urban Institute Press, (Washington, 1981) pp. 137-147; Raboy, David, "Depreciation Neutrality--The Proper Treatment of Long and Short Lived Assets," Economic Reports, April 1981, and "The Depreciation Debate--Some Key Issues," Economic Reports, May 1981, Institute for Research in the Economics of Taxation (Washington, 1981); Holik, Daniel, and Lessley, B.V., "Accelerated Cost Recovery System (ACRS)," Agri-Economics,

University of Maryland Cooperative Extension Service, (College Park, 1982); and Auerbach, Alan J., "The New Economics of Accelerated Depreciation," Boston College Law Review, September 1982 and also issued by National Bureau of Economic Research as Reprint No. 377.

- [7] See the 1954 and 1955 issues of The Economic Report of the President.
- [8] Coughlan, Joseph D., and Strand, William K., Depreciation: Accounting, Taxes, and Business Decisions, The Ronald Press, (New York, NY, 1969), Chapter 2, p. 6.
- [9] Ibid., Chapter 4, pp. 1-20.
- [10] Auerbach, Alan J., "The New Economics of Accelerated Depreciation," Boston College Law Review, September 1982, P. 1330.
- [11] The sample period extends into 1982. See note on data sources and limitations at end of article. It should be noted that ACRS data presented here are for the corporate sector only, and do not include data for partnerships and proprietorships.
- [12] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--Corporation Income Tax Returns, 1976, 1977, 1978-79, 1980, and 1981.