

TABLE 1—REGULAR AND BONUS DEPRECIATION SCHEDULES FOR FIVE-YEAR ITEMS

Year:	0	1	2	3	4	5	Total
<i>Normal depreciation</i>							
Deductions (000s)	200	320	192	115	115	58	1,000
Tax benefit ($\tau = 35$ percent)	70	112	67.2	40.3	40.3	20.2	350
<i>Bonus depreciation (50 percent)</i>							
Deductions (000s)	600	160	96	57.5	57.5	29	1,000
Tax benefit ($\tau = 35$ percent)	210	56	33.6	20.2	20.2	10	350

Notes: This table displays year-by-year deductions and tax benefits for a \$1 million investment in computers, a five-year item, depreciable according to the Modified Accelerated Cost Recovery System (MACRS). The top schedule applies during normal times. It reflects a half-year convention for the purchase year and a 200 percent declining balance method ($2\times$ straight line until straight line is greater). The bottom schedule applies when 50 percent bonus depreciation is available.

Source: Authors' calculations. See IRS publication 946 for the recovery periods and schedules applying to other class lives (<https://www.irs.gov/uac/about-publication-946>).