

United States Senate

WASHINGTON, DC 20510-3802
specter.senate.gov

January 16, 2008

Honorable Edward P. Lazear
Chairman
Council of Economic Advisers
725 17th Street, NW
Washington, DC 20502

Dear Chairman Lazear:

I am writing to bring to your attention two pieces of legislation which I plan to introduce when the Senate returns on Tuesday, January 22, 2008, to provide immediate economic stimulus for an economy hindered by a housing crisis, rising oil prices, unemployment, sagging stock markets, and battered consumer confidence. Both are designed to spur new business investments through the use of partial- and full-expensing. By allowing firms to expense a greater share of the value of an asset in the first year, these proposals free up additional resources for firms to hire more workers and expand their operations.

The first bill provides two years of "bonus depreciation" for all sectors of the economy. Specifically, firms would be allowed to expense fifty percent of the cost of new equipment in the first year the asset is put to use. Remaining value would be deducted over the course of its useful life by using the Internal Revenue Code depreciation schedules.

The second bill allows a variety of sectors to take advantage of 100% percent up-front expensing for new assets that are placed into service during tax years 2008 and 2009. Specifically, this legislation would allow all equipment which is currently depreciated on the three-, five-, and seven-year schedules to be fully expensed in year one. One particular advantage to this legislation is the minimal cost impact as viewed by the Joint Committee on Taxation. Because revenue legislation is scored over a ten-year window and the tax benefit inferred by this bill still occurs within that span (only quicker), the revenue impact will be negligible.

I believe that these proposals should be the cornerstone of any economic stimulus package crafted by the Administration and/or Congress. To that end, I urge you to review these proposals and include them in any potential stimulus package drafted by the Administration.

Thank you for your attention to this important matter.

Sincerely,



Arlen Specter