

SB 379 3/13/13  
George Olsen – example

When an asset is sold that has been depreciated, particularly equipment, the depreciation taken is reported as ordinary income to the extent of the gain.

For example:

Sales price		20,000
Cost of asset	15,000	
Depreciation taken	5,000	
Net remaining cost		10,000
Gain		10,000
Ordinary depreciation recapture		5,000
Capital gain		5,000

This has the effect of allowing the depreciation to be a part of the gain eligible for the credit instead of just the excess over original cost under prior law.