Treatment of losses on sale of depreciable property

Losses on the sale of depreciable property are allowable as deductions in computing ordinary income.

Relationship of book and tax depreciation

Depreciation need not be recorded in the books of account to be deductible for tax purposes.

Provisions of prior law

The system of first-year allowances was introduced in 1946. The rates of allowances have been changed frequently since that time, the present rates being effective for expenditures made after April 7, 1959. Some of the general rates that have been in effect are as follows:

[In percent]

	Machinery and equipment	Industrial buildings
Apr. 6, 1946, to Apr. 5, 1949	20	10
Apr. 6, 1949, to Apr. 5, 1952	40	10
Apr. 6, 1952, to Apr. 14, 1953	0	0
Apr. 15, 1953, to Apr. 14, 1958	20	10
Apr. 15, 1958, to Apr. 7, 1959	30	15

Investment allowances were first introduced in 1954, and several changes in rates have been made. Up until April 7, 1959, taxpayers could not claim both an investment allowance and first-year depreciation on the same assets. However, for assets acquired after that, both allowances may be claimed. Prior general rates of investment allowances have been:

[In percent]

	Machinery and equipment	Industrial buildings
Apr. 6, 1954, to Feb. 17, 1956	20	20
Feb. 18, 1956, to Apr. 7, 1959	0	0

Senator PROXMIRE. We would like to know in detail, because I have in my hand, here, the hearings before the Finance Committee and the statement of the Honorable Douglas Dillon, Secretary of the Treasury, and on page 82 this chart is put in. It is just put in on the same basis, with no indication of the sources or techniques of deriving the figures.

And I do think that this is a somewhat telling point. I still feel that the investment credit as a method of increasing business investment by increasing cash earnings is redundant. McGraw-Hill came up and told us on the basis of their very careful survey—that the increase in investment resulting from the investment credit would be something like $300 million, and with a $1 billion loss of revenue on the part of the Treasury, it seems to me this would be a mightly expensive stimulation.

Furthermore, the Wall Street Journal's survey—also a competent and fair group of people—indicated that after inquiries of 68 of the leading corporations of our country, 67 of them said they would not change their investment plans because this investment credit opportunity was available. Of course many of them said they would welcome the windfall.