

JOHN N. HUGHES
Attorney at Law
Professional service Corporation
124 West Todd Street
Frankfort, Kentucky 40601

Telephone: (502) 227-7270

jnhughes@johnnhughespsc.com

January 11, 2019

Gwen Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation:
Case No. 2018-00281

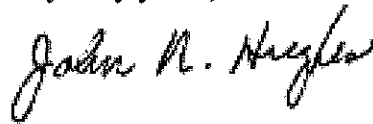
Dear Ms. Pinson:

Atmos Energy Corporation submits its responses to the Commission's Third Data Request and to the Attorney General's Second Data Request. Also included with the filing is a petition for confidentiality for PSC 3-10 and 3-25, attachments 1 and 2.

I certify that the electronic filing is a complete and accurate copy of the original documents to be filed in this matter, which will be filed within two days of this submission and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

If you have any questions about this matter, please contact me.

Very truly yours,



John N. Hughes

And

Mark R. Hutchinson
Wilson, Hutchinson and Littlepage
611 Frederica St.
Owensboro, KY 42301
270 926 5011
randy@whplawfirm.com

Attorneys for Atmos Energy
Corporation

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

Application of Atmos Energy Corporation)
for an Adjustment of Rates) Case No. 2018-00281
and Tariff Modifications)

**PETITION FOR CONFIDENTIALITY
FOR THE COMMISSION'S THIRD INFORMATION REQUEST**

Atmos Energy Corporation (Atmos Energy), by counsel, petitions for an order granting confidential protection of certain portions of the responses to the Commission's Third Request for Information pursuant to 807 KAR 5:001, Section 13 and KRS 61.87. The responses included in the petition are: PSC DR 3-10 and 3-25, attachmentsd 1 and 2.

The confidential information in DR 3-10 consists of sensitive internal, strategic information that has not been finalized and has not been publicly disclosed about potential future changes to the company's capital structure. The Commission has consistently recognized that such internal strategic planning information and related materials are entitled to confidential treatment as this information typically relates to the company's economic status and business strategies. Information such as this which bears upon a company's detailed inner workings is generally recognized as confidential or proprietary. See, e.g., *Hoy v. Kentucky Indus. Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995) ("It does not take a degree in finance to recognize that such information concerning the inner workings of a corporation is 'generally recognized as

confidential or proprietary"); *Marina Management Servs. v. Cabinet for Tourism, Dep't of Parks*, 906 S.W.2d 318, 319 (Ky. 1995) (unfair commercial advantage arises simply from "the ability to ascertain the economic status of the entities without the hurdles systemically associated with the acquisition of such information about privately owned organizations").

The confidential information in DR 3-25 is contained in Attachments 1 and 2. That information is part of the company's federal tax filing related to depreciation calculations and bonus depreciation. KRS 61.878(1)(k) exempts from public disclosure "all public records or information the disclosure of which is prohibited by federal law or regulation." Federal law codified in 26 U.S.C.A. 5 6103(a), prohibits state officials from publicly disclosing any federal income tax return or its contents, making the requested federal income tax return exempt.

Returns and return information shall be confidential, and except as authorized by this title ... no officer or employee of any State ... shall disclose any return or return information obtained by him in any manner in connection with his service as such an officer or an employee or otherwise or under the provisions of this section....

The term "return information" means a taxpayer's identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments, whether the taxpayer's return was, is being, or will be examined or subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by the Secretary with respect to a return or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under this title for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense.

The effect of these two statutes is to preclude disclosure of the federal tax information.

The information sought by the Commission is not information customarily disclosed to the public and is generally recognized as confidential and proprietary. Atmos Energy is a utility operating in several states. The disclosure of detailed corporate financial and tax information will provide its competitors with information that those competitors do not disclose to Atmos Energy.

The Kentucky Open Records Act exempts from disclosure certain confidential or proprietary information. KRS 61.878(1)(c). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the information would permit an unfair commercial advantage to competitors of the party seeking confidentiality.

The information sought in the data requests is commercial information that if disclosed could cause substantial competitive harm to Atmos Energy. These portions of Atmos Energy's Response contain proprietary information that would aid competitors of Atmos Energy and such proprietary information is subject to protection from disclosure pursuant to Kentucky law. This information is not publicly available. It would be difficult or impossible for someone to discover this information from other sources. If this information were available to competitors in this form, they could use it to the competitive detriment of Atmos Energy. This information is not generally disclosed to non-management employees of Atmos Energy and is protected internally by the Company as proprietary information. The disclosure of this proprietary information would result in significant or irreparable competitive harm to Atmos Energy by providing its competitors with non-reciprocal competitive advantage. No public purpose is served

by the disclosure of such information.

Atmos Energy requests that the information be held confidentially indefinitely. The statutes cited above do not allow for disclosure at any time. Given the competitive nature of the natural gas business and the efforts of non-regulated competitors to encroach upon traditional markets, it is imperative that regulated information remain protected and that the integrity of the tax filings remain secure.

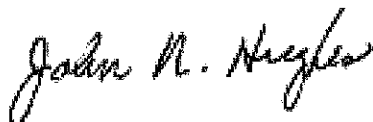
For these reasons, Atmos Energy requests that the items identified in this petition be treated as confidential in their entirety. Should the Commission determine that some or all the material is not to be given confidential protection, Atmos Energy requests a hearing prior to any public release of the information to preserve its rights to notice of the grounds for the denial and to preserve its right of appeal of the decision.

Submitted by:

Mark R. Hutchinson
Wilson, Hutchinson & Littlepage
611 Frederica St.
Owensboro, KY 42303
270 926 5011
Fax: 270-926-9394
randy@whplawfirm.com

And

John N. Hughes
124 West Todd St.
Frankfort, KY 40601
502 227 7270
inhughes@johnnhughespsc.com

A handwritten signature in cursive script that reads "John N. Hughes".

Certification:

I certify that is a true and accurate copy of the documents to be filed in paper medium; that the electronic filing was transmitted to the Commission on January 11, 2018; that an original and one copy of the filing will be delivered to the Commission within two days; and that no party has been excused from participation by electronic means.

John N. Hayes

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2018-00281
ATMOS ENERGY CORPORATION)

AFFIDAVIT

The Affiant, Joe T. Christian, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of his knowledge and belief.

[Handwritten Signature]

Joe T. Christian

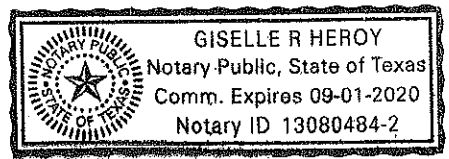
STATE OF Texas
COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Joe T. Christian on this the 9th day of January, 2019.

[Handwritten Signature]

Notary Public

My Commission Expires: 9/01/2020



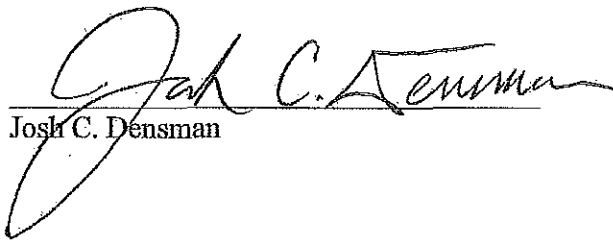
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF)
ATMOS ENERGY CORPORATION)

Case No. 2018-00281

AFFIDAVIT

The Affiant, Josh C. Densman, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of his knowledge and belief.

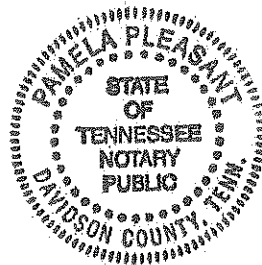

Josh C. Densman

STATE OF Tennessee
COUNTY OF Williamson

SUBSCRIBED AND SWORN to before me by Josh C. Densman on this the 7th day of January, 2019.


Notary Public

My Commission Expires; MARCH 3, 2020



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2018-00281
ATMOS ENERGY CORPORATION)

AFFIDAVIT

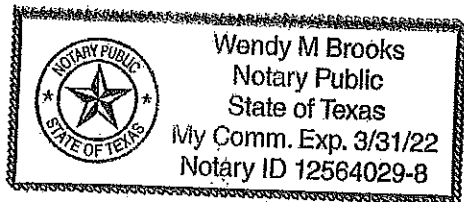
The Affiant, Laura K. Gilham, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of her knowledge and belief.

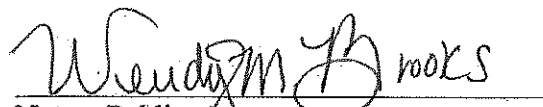


Laura K. Gillham

STATE OF Texas
COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Laura K. Gillham on this the 10 day of January, 2019.





Notary Public
My Commission Expires: 3/31/22

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2018-00281
ATMOS ENERGY CORPORATION)

(AFFIDAVIT

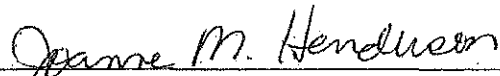
The Affiant, Mark A. Martin, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of his knowledge and belief.



Mark A. Martin

STATE OF Kentucky
COUNTY OF Davies

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 7th day of January, 2019.



Notary Public


My Commission Expires: _____
Joanne M. Henderson
NOTARY PUBLIC
State at Large, Kentucky
ID # 596005
My Commission Expires 3/22/2022

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2018-00281
ATMOS ENERGY CORPORATION)

AFFIDAVIT

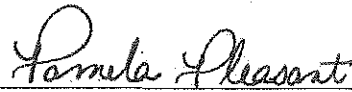
The Affiant, Gregory W. Smith, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of his knowledge and belief.



Gregory W. Smith

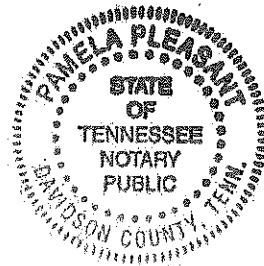
STATE OF Tennessee
COUNTY OF Williamson

SUBSCRIBED AND SWORN to before me by Gregory W. Smith on this the 7th day of January, 2019.



Notary Public

My Commission Expires: MARCH 3, 2020



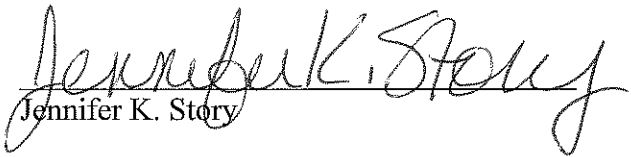
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2018-00281
ATMOS ENERGY CORPORATION)

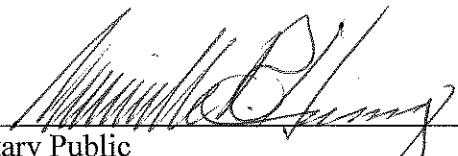
AFFIDAVIT

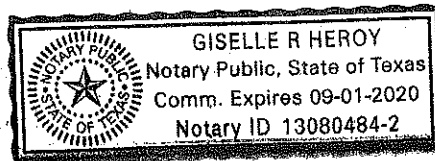
The Affiant, Jennifer K. Story, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of her knowledge and belief.


Jennifer K. Story

STATE OF Texas
COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Jennifer K. Story on this the 7th day of January, 2019.


Notary Public
My Commission Expires: 9-01-2020



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2018-00281
ATMOS ENERGY CORPORATION)

AFFIDAVIT

The Affiant, James H. Vander Weide, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of his knowledge and belief.

James H. Vander Weide
James H. Vander Weide

STATE OF NC
COUNTY OF Durham

SUBSCRIBED AND SWORN to before me by James H. Vander Weide on this the 3th day of January, 2019.

DONNA S ROSE
Notary Public
Person Co., North Carolina
My Commission Expires March 22, 2020

Donna S Rose
Notary Public

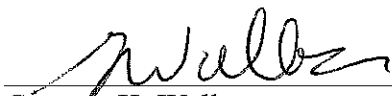
My Commission Expires: 3.22.2020

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2018-00281
ATMOS ENERGY CORPORATION)

AFFIDAVIT

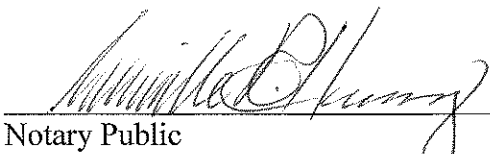
The Affiant, Gregory K. Waller, being duly sworn, deposes and states that the attached responses to Commission Staff's third request for information are true and correct to the best of his knowledge and belief.



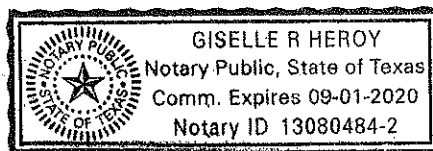
Gregory K. Waller

STATE OF Texas
COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Gregory K. Waller on this the 10th day of January, 2019.



Notary Public
My Commission Expires: 9/1/2020



Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-01
Page 1 of 1

REQUEST:

Refer to the application, Exhibit LKG-1. Provide a detailed description of Blueflame Insurance Services, LTD, based in Bermuda. Ensure to include whether this insurance company provides any services to Atmos and whether any costs are allocated to Atmos.

RESPONSE:

As shown in our Cost Allocation Manual in Exhibit LKG-1, Blueflame Insurance Services, LTD is a wholly-owned subsidiary of Atmos Energy Corporation that was created to provide cost-effective property insurance coverage for Atmos Energy and its subsidiaries. It was chartered in Bermuda effective December 16, 2003, and became operational as of January 1, 2004. It is incorporated under Bermuda's insurance law and regulations and is fully capitalized under the requirements of applicable Bermuda law.

Blueflame Insurance Services does provide property insurance services to our business units, including Kentucky. The annual insurance premium paid to Blueflame gets allocated to our business units based on their gross plant balances. The premium is charged to account 9240-04069. A portion of the premium is allocated to Shared Services based on its gross plant balance. The Shared Services portion is then allocated to the business units using the composite allocation factor through account 9220.

Respondent: Laura Gillham

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-02
Page 1 of 1

REQUEST:

Refer to Atmos's response to Commission Staff's First Request for Information, Item 64, Attachment 1 - Atmos Energy Corporation, Staff_ 1-64_Att1 - Christian WP - Hypothetical Refinance 03-2019.xlsx, page 2 of 2.

- a. Explain whether the estimated fees of \$1.5 million are recurring or one-time fees.
- b. Refer also to page 1 of 2. State whether Atmos uses treasury locks for any other long-term debt.

RESPONSE:

- a. The estimated fees are one-time fees.
- b. The Company has no other remaining treasury locks in place at this time.

Respondent: Joe Christian

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-03
Page 1 of 1

REQUEST:

Refer to Atmos's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 3. Provide a legible copy of Attachment 1 to this response.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-03_Att1 - KY LDC Comparison.pdf,
10 Pages.

Respondent: Mark Martin

Taylor, Brannon C

From: Martin, Mark A
Sent: Monday, December 3, 2018 9:29 AM
To: Taylor, Brannon C.
Subject: FW: November GCA

From: Martin, Mark A
Sent: Monday, October 30, 2017 4:40 PM
To: Bittel, Stephen J. <Steve.Bittel@atmosenergy.com>; Coomes, Kay <Kay.Coomes@atmosenergy.com>; Owen, Timothy D <Timothy.Owen@atmosenergy.com>; Price, Daniel K. <Dan.Price@atmosenergy.com>; Tucker, George B <George.Tucker@atmosenergy.com>; Benningfield, Ronnie D. <Ronnie.Benningfield@atmosenergy.com>; Brown, Bobby S <Bobby.Brown@atmosenergy.com>; Chidester, George L <George.Chidester@atmosenergy.com>; Miller, Teddy W. <Teddy.Miller@atmosenergy.com>; Rice, Craig <craig.rice@atmosenergy.com>; Tucker, Mariam L. <Mariam.Tucker@atmosenergy.com>; Willis, Rick L. <Rick.Willis@atmosenergy.com>; Greer, Bill <Bill.Greer@atmosenergy.com>; Dobbs, Jay K. <Kevin.Dobbs@atmosenergy.com>; Close, Michael W <Michael.Close@atmosenergy.com>; Bonner, Don <Don.Bonner@atmosenergy.com>; Tompkins, Timothy T <Timothy.Tompkins@atmosenergy.com>; Vallet, Michael C <Michael.Vallet@atmosenergy.com>; Lowe, Brett P <Brett.Lowe@atmosenergy.com>; Anderson, Bernie <Bernie.Anderson@atmosenergy.com>; Coleman, Michael D <Michael.Coleman@atmosenergy.com>; Cook, Robert R. <Robert.Cook@atmosenergy.com>; Flick, Robert K <Robert.Flick@atmosenergy.com>; Mattingly, Patrick T <Patrick.Mattingly@atmosenergy.com>; Bower, Douglas L <Douglas.Bower@atmosenergy.com>; Townsend, Cody <Cody.Townsend@atmosenergy.com>; Austin, Ryan <Ryan.Austin@atmosenergy.com>
Cc: Keen, Jan R <Jan.Keen@atmosenergy.com>; Hudson, Sidney W. <Sidney.Hudson@atmosenergy.com>; Bertotti, Danny P. <Danny.Bertotti@AtmosEnergy.com>; Payne, Jim <Jim.Payne@atmosenergy.com>
Subject: November GCA

Hey Gang,

The G-1 GCA will be \$4.91 which is a decrease of approximately \$0.14 from our current rate of \$5.06. The November 2016 GCA was \$4.14. The decrease is attributable to the lower gas prices versus our under recovered position. The expected cost of gas for November through January is \$0.23 less than last quarter. Our under recovery position is approximately \$3.2m through July compared to an under recovery position of approximately \$1.5m through April. Since the under recovery position is higher, the Correction Factor (CF) needed to recover that balance is more than last quarter, \$0.09. These two factors net to the \$0.14 decrease (\$0.23-\$0.09).

Below is a summary of the Gas Cost Adjustments effective for November 1, 2017 for Kentucky customers. Also, the following summary compares residential rates for the major gas utilities in Kentucky. The timing of quarterly gas cost adjustments varies for each utility, and comparing on a single month basis may not be an indicator of long-term pricing. However, the information can be useful to us and to our employees.

CASE NO. 2018-00281
ATTACHMENT 1
TO STAFF DR NO. 3-03

Residential Charges November 2017:

	Current Rates										
	Distribution			Average	Annual	Monthly	Annual	Monthly	Annual	Average	
	Charge	GCA	Total	Annual	Variable	Customer	Customer	PRP	PRP	Annual	
	Per Mcf	Per Mcf	Per Mcf	Mcf	Charges	Charge	Charge	Charge	Charge	Bill	
Atmos Energy	\$ 1.53	\$ 5.06	\$ 6.59	65	\$ 428.38	\$ 17.50	\$ 210.00	\$ 1.56	\$ 18.72	\$ 657.10	1
Columbia	\$ 3.57	\$ 5.66	\$ 9.23	65	\$ 600.02	\$ 16.00	\$ 192.00	\$ -	\$ -	\$ 792.02	4
Delta	\$ 4.32	\$ 5.50	\$ 9.82	65	\$ 638.01	\$ 20.70	\$ 248.40	\$ 2.21	\$ 26.52	\$ 912.93	5
Duke	\$ 3.72	\$ 3.94	\$ 7.66	65	\$ 497.92	\$ 16.00	\$ 192.00	\$ 0.78	\$ 9.36	\$ 699.28	2
LG&E	\$ 3.62	\$ 4.34	\$ 7.96	65	\$ 517.66	\$ 16.35	\$ 196.20	\$ 0.71	\$ 8.52	\$ 722.38	3

Please let me know if you have any additional questions/comments/concerns and I will do my best to address them.

Thanks,

MM

Taylor, Brannon C

From: Martin, Mark A
Sent: Monday, December 3, 2018 9:30 AM
To: Taylor, Brannon C.
Subject: FW: February GCA

From: Martin, Mark A
Sent: Friday, January 19, 2018 8:27 AM
To: Bittel, Stephen J. <Steve.Bittel@atmosenergy.com>; Coomes, Kay <Kay.Coomes@atmosenergy.com>; Owen, Timothy D <Timothy.Owen@atmosenergy.com>; Price, Daniel K. <Dan.Price@atmosenergy.com>; Tucker, George B <George.Tucker@atmosenergy.com>; Benningfield, Ronnie D. <Ronnie.Benningfield@atmosenergy.com>; Brown, Bobby S <Bobby.Brown@atmosenergy.com>; Chidester, George L <George.Chidester@atmosenergy.com>; Miller, Teddy W. <Teddy.Miller@atmosenergy.com>; Rice, Craig <craig.rice@atmosenergy.com>; Tucker, Mariam L. <Mariam.Tucker@atmosenergy.com>; Greer, Bill <Bill.Greer@atmosenergy.com>; Dobbs, Jay K. <Kevin.Dobbs@atmosenergy.com>; Close, Michael W <Michael.Close@atmosenergy.com>; Bonner, Don <Don.Bonner@atmosenergy.com>; Tompkins, Timothy T <Timothy.Tompkins@atmosenergy.com>; Vallet, Michael C <Michael.Vallet@atmosenergy.com>; Lowe, Brett P <Brett.Lowe@atmosenergy.com>; Coleman, Michael D <Michael.Coleman@atmosenergy.com>; Cook, Robert R. <Robert.Cook@atmosenergy.com>; Flick, Robert K <Robert.Flick@atmosenergy.com>; Mattingly, Patrick T <Patrick.Mattingly@atmosenergy.com>; Bower, Douglas L <Douglas.Bower@atmosenergy.com>; Townsend, Cody <Cody.Townsend@atmosenergy.com>; Austin, Ryan <Ryan.Austin@atmosenergy.com>; Basham, Jake W <Jake.Basham@atmosenergy.com>
Cc: Keen, Jan R <Jan.Keen@atmosenergy.com>; Hudson, Sidney W. <Sidney.Hudson@atmosenergy.com>; Bertotti, Danny P. <Danny.Bertotti@AtmosEnergy.com>; Payne, Jim <Jim.Payne@atmosenergy.com>
Subject: February GCA

Hey Gang,

The G-1 GCA will be \$5.26 which is an increase of approximately \$0.35 from our current rate of \$4.91. The February 2017 GCA was \$4.38. The increase is attributable to our under recovered position. Our under recovery position is approximately \$8.6m through October compared to an under recovery position of approximately \$3.2m through July.

Below is a summary of the Gas Cost Adjustments effective for February 1, 2018 for Kentucky customers. Also, the following summary compares residential rates for the major gas utilities in Kentucky. The timing of quarterly gas cost adjustments varies for each utility, and comparing on a single month basis may not be an indicator of long-term pricing. However, the information can be useful to us and to our employees.

Residential Charges February 2018:

CASE NO. 2018-00281
ATTACHMENT 1
TO STAFF DR NO. 3-03

Current Rates											
	Distribution			Average	Annual	Monthly	Annual	Monthly	Annual	Average	
	Charge	GCA	Total	Annual	Variable	Customer	Customer	PRP	PRP	Annual	
	Per Mcf	Per Mcf	Per Mcf	Mcf	Charges	Charge	Charge	Charge	Charge	Bill	
Atmos Energy	\$ 1.53	\$ 5.26	\$ 6.80	65	\$ 441.70	\$ 17.50	\$ 210.00	\$ 3.29	\$ 39.48	\$ 691.18	1
Columbia	\$ 3.57	\$ 5.36	\$ 8.93	65	\$ 580.41	\$ 16.00	\$ 192.00	\$ -	\$ -	\$ 772.41	4
Delta	\$ 4.32	\$ 5.33	\$ 9.65	65	\$ 627.28	\$ 20.70	\$ 248.40	\$ 2.21	\$ 26.52	\$ 902.20	5
Duke	\$ 3.72	\$ 4.02	\$ 7.74	65	\$ 503.25	\$ 16.00	\$ 192.00	\$ 0.78	\$ 9.36	\$ 704.61	3
LG&E	\$ 3.62	\$ 3.93	\$ 7.55	65	\$ 491.01	\$ 16.35	\$ 196.20	\$ 0.71	\$ 8.52	\$ 695.73	2

Please let me know if you have any additional questions/comments/concerns and I will do my best to address them.

Thanks,

MM

Taylor, Brannon C

From: Martin, Mark A
Sent: Monday, December 3, 2018 9:30 AM
To: Taylor, Brannon C.
Subject: FW: May GCA

From: Martin, Mark A
Sent: Monday, April 30, 2018 7:39 AM
To: Bittel, Stephen J. <Steve.Bittel@atmosenergy.com>; Coomes, Kay <Kay.Coomes@atmosenergy.com>; Owen, Timothy D <Timothy.Owen@atmosenergy.com>; Price, Daniel K. <Dan.Price@atmosenergy.com>; Tucker, George B <George.Tucker@atmosenergy.com>; Benningfield, Ronnie D. <Ronnie.Benningfield@atmosenergy.com>; Brown, Bobby S <Bobby.Brown@atmosenergy.com>; Chidester, George L <George.Chidester@atmosenergy.com>; Miller, Teddy W. <Teddy.Miller@atmosenergy.com>; Rice, Craig <craig.rice@atmosenergy.com>; Tucker, Mariam L. <Mariam.Tucker@atmosenergy.com>; Greer, Bill <Bill.Greer@atmosenergy.com>; Dobbs, Jay K. <Kevin.Dobbs@atmosenergy.com>; Close, Michael W <Michael.Close@atmosenergy.com>; Bonner, Don <Don.Bonner@atmosenergy.com>; Tompkins, Timothy T <Timothy.Tompkins@atmosenergy.com>; Vallet, Michael C <Michael.Vallet@atmosenergy.com>; Lowe, Brett P <Brett.Lowe@atmosenergy.com>; Coleman, Michael D <Michael.Coleman@atmosenergy.com>; Cook, Robert R. <Robert.Cook@atmosenergy.com>; Flick, Robert K <Robert.Flick@atmosenergy.com>; Mattingly, Patrick T <Patrick.Mattingly@atmosenergy.com>; Bower, Douglas L <Douglas.Bower@atmosenergy.com>; Townsend, Cody <Cody.Townsend@atmosenergy.com>; Austin, Ryan <Ryan.Austin@atmosenergy.com>; Basham, Jake W <Jake.Basham@atmosenergy.com>
Cc: Keen, Jan R <Jan.Keen@atmosenergy.com>; Hudson, Sidney W. <Sidney.Hudson@atmosenergy.com>; Bertotti, Danny P. <Danny.Bertotti@AtmosEnergy.com>; Payne, Jim <Jim.Payne@atmosenergy.com>
Subject: May GCA

Hey Gang,

The G-1 GCA beginning May 1st will be \$5.31 which is an increase of approximately \$0.05 from our current rate of \$5.23. The May 2017 GCA was \$4.98. The increase is mainly attributable to forecasted gas prices; however, our under recovery decreased which helped depress the proposed increase somewhat. Our under recovery position is approximately \$7.9m through January compared to an under recovery position of approximately \$8.6m through October. Also, the rates listed below reflect the impacts of the TCJA, mainly reducing the corporate tax rate from 35% to 21%.

Below is a summary of the Gas Cost Adjustments effective for May 1, 2018 for Kentucky customers. Also, the following summary compares residential rates for the major gas utilities in Kentucky. The timing of quarterly gas cost adjustments varies for each utility, and comparing on a single month basis may not be an indicator of long-term pricing. However, the information can be useful to us and to our employees.

Residential Charges May 2018:

	Current Rates											
	Distribution			Average	Annual	Monthly	Annual	Monthly	Annual	Average		
	Charge	GCA	Total	Annual	Variable	Customer	Customer	PRP	PRP	Annual		
	Per Mcf	Per Mcf	Per Mcf	Mcf	Charges	Charge	Charge	Charge	Charge	Bill		
Atmos Energy	\$ 1.45	\$ 5.31	\$ 6.76	65	\$ 439.20	\$ 16.52	\$ 198.24	\$ 2.97	\$ 35.64	\$ 673.08		1
Columbia	\$ 3.57	\$ 5.40	\$ 8.97	65	\$ 582.95	\$ 16.00	\$ 192.00	\$ 2.00	\$ 24.00	\$ 798.95		4
Delta	\$ 4.32	\$ 6.57	\$ 10.89	65	\$ 707.59	\$ 20.90	\$ 250.80	\$ 2.70	\$ 32.40	\$ 990.79		5
Duke	\$ 3.72	\$ 3.84	\$ 7.56	65	\$ 491.61	\$ 16.00	\$ 192.00	\$ 1.80	\$ 21.60	\$ 705.21		3
LG&E	\$ 3.63	\$ 3.79	\$ 7.42	65	\$ 482.33	\$ 16.35	\$ 196.20	\$ 0.71	\$ 8.52	\$ 687.05		2

Please let me know if you have any additional questions/comments/concerns and I will do my best to address them.

Thanks,

MM

Taylor, Brannon C

From: Martin, Mark A
Sent: Monday, December 3, 2018 9:31 AM
To: Taylor, Brannon C.
Subject: FW: August GCA
Attachments: KY Avg Bill Comparison.xlsx

From: Martin, Mark A
Sent: Friday, July 27, 2018 2:45 PM
To: Bittel, Stephen J. <Steve.Bittel@atmosenergy.com>; Coomes, Kay <Kay.Coomes@atmosenergy.com>; Owen, Timothy D <Timothy.Owen@atmosenergy.com>; Price, Daniel K. <Dan.Price@atmosenergy.com>; Tucker, George B <George.Tucker@atmosenergy.com>; Benningfield, Ronnie D. <Ronnie.Benningfield@atmosenergy.com>; Brown, Bobby S <Bobby.Brown@atmosenergy.com>; Chidester, George L <George.Chidester@atmosenergy.com>; Miller, Teddy W. <Teddy.Miller@atmosenergy.com>; Rice, Craig <craig.rice@atmosenergy.com>; Tucker, Mariam L. <Mariam.Tucker@atmosenergy.com>; Greer, Bill <Bill.Greer@atmosenergy.com>; Dobbs, Jay K. <Kevin.Dobbs@atmosenergy.com>; Close, Michael W <Michael.Close@atmosenergy.com>; Bonner, Don <Don.Bonner@atmosenergy.com>; Tompkins, Timothy T <Timothy.Tompkins@atmosenergy.com>; Vallet, Michael C <Michael.Vallet@atmosenergy.com>; Lowe, Brett P <Brett.Lowe@atmosenergy.com>; Coleman, Michael D <Michael.Coleman@atmosenergy.com>; Cook, Robert R. <Robert.Cook@atmosenergy.com>; Flick, Robert K <Robert.Flick@atmosenergy.com>; Mattingly, Patrick T <Patrick.Mattingly@atmosenergy.com>; Bower, Douglas L <Douglas.Bower@atmosenergy.com>; Townsend, Cody <Cody.Townsend@atmosenergy.com>; Austin, Ryan <Ryan.Austin@atmosenergy.com>; Basham, Jake W <Jake.Basham@atmosenergy.com>
Cc: Keen, Jan R <Jan.Keen@atmosenergy.com>; Hudson, Sidney W. <Sidney.Hudson@atmosenergy.com>; Bertotti, Danny P. <Danny.Bertotti@AtmosEnergy.com>; Payne, Jim <Jim.Payne@atmosenergy.com>; Hemingway, William <William.Hemingway@atmosenergy.com>
Subject: August GCA

Hey Gang,

The attached schedule was created by our intern, Will Hemingway, and compares our rates by class with those of the other Big 5 LDCs. The G-1 GCA beginning August 1st will be \$4.66 which is a decrease of approximately \$0.65 from our current rate of \$5.31. The August 2017 GCA was \$5.06. The decrease is mainly attributable to our over recovery position. Our over recovery position is approximately \$5.8m through April compared to an under recovery position of approximately \$7.9m through January.

Please let me know if you have any additional questions/comments/concerns and I will do my best to address them.

Thanks,

MM

Current Residential Rates

	Distribution Charge	GCA	Total	Average Annual	Annual Variable	Monthly Customer	Annual Customer	Monthly PRP	Annual PRP	Average Annual	
	Per Mcf	Per Mcf	Per Mcf	Mcf	Charges	Charge	Charge	Charge	Charge	Bill	
Atmos Energy	\$ 1.73	\$ 4.66	\$ 6.38	64	\$ 408.45	\$ 17.50	\$ 210.00	\$ -	\$ -	\$ 618.45	1
Columbia	\$ 3.35	\$ 5.38	\$ 8.72	64	\$ 558.34	\$ 16.00	\$ 192.00	\$ 2.00	\$ 24.00	\$ 774.34	4
Delta	\$ 4.32	\$ 6.41	\$ 10.73	64	\$ 686.44	\$ 20.90	\$ 250.80	\$ 2.70	\$ 32.40	\$ 969.64	5
Duke	\$ 3.72	\$ 4.17	\$ 7.89	64	\$ 505.04	\$ 16.00	\$ 192.00	\$ 1.80	\$ 21.60	\$ 718.64	3
LG&E	\$ 3.63	\$ 3.79	\$ 7.42	64	\$ 474.91	\$ 16.35	\$ 196.20	\$ 0.60	\$ 7.20	\$ 678.31	2

Taylor, Brannon C

From: Martin, Mark A
Sent: Monday, December 3, 2018 9:35 AM
To: Taylor, Brannon C.
Subject: FW: November GCA
Attachments: KY Avg Bill Comparison.xlsx

From: Martin, Mark A
Sent: Monday, November 5, 2018 10:27 AM
To: Bittel, Stephen J. <Steve.Bittel@atmosenergy.com>; Coomes, Kay <Kay.Coomes@atmosenergy.com>; Owen, Timothy D <Timothy.Owen@atmosenergy.com>; Price, Daniel K. <Dan.Price@atmosenergy.com>; Tucker, George B <George.Tucker@atmosenergy.com>; Benningfield, Ronnie D. <Ronnie.Benningfield@atmosenergy.com>; Brown, Bobby S <Bobby.Brown@atmosenergy.com>; Chidester, George L <George.Chidester@atmosenergy.com>; Miller, Teddy W. <Teddy.Miller@atmosenergy.com>; Rice, Craig <craig.rice@atmosenergy.com>; Tucker, Mariam L. <Mariam.Tucker@atmosenergy.com>; Greer, Bill <Bill.Greer@atmosenergy.com>; Dobbs, Jay K. <Kevin.Dobbs@atmosenergy.com>; Close, Michael W <Michael.Close@atmosenergy.com>; Bonner, Don <Don.Bonner@atmosenergy.com>; Tompkins, Timothy T <Timothy.Tompkins@atmosenergy.com>; Vallet, Michael C <Michael.Vallet@atmosenergy.com>; Lowe, Brett P <Brett.Lowe@atmosenergy.com>; Coleman, Michael D <Michael.Coleman@atmosenergy.com>; Cook, Robert R. <Robert.Cook@atmosenergy.com>; Flick, Robert K <Robert.Flick@atmosenergy.com>; Mattingly, Patrick T <Patrick.Mattingly@atmosenergy.com>; Bower, Douglas L <Douglas.Bower@atmosenergy.com>; Townsend, Cody <Cody.Townsend@atmosenergy.com>; Austin, Ryan <Ryan.Austin@atmosenergy.com>; Basham, Jake W <Jake.Basham@atmosenergy.com>
Cc: Keen, Jan R <Jan.Keen@atmosenergy.com>; Hudson, Sidney W. <Sidney.Hudson@atmosenergy.com>; Bertotti, Danny P. <Danny.Bertotti@AtmosEnergy.com>; Payne, Jim <Jim.Payne@atmosenergy.com>
Subject: November GCA

Hey Gang,

The attached schedule compares our rates by class with those of the other Big 5 LDCs. The G-1 GCA will be \$4.32 which is a decrease of approximately \$0.33 from our current rate of \$4.65. The November 2017 GCA was \$4.91. The decrease is mainly attributable to lower gas prices. Our over recovery position is approximately \$5.4m through July compared to an under recovery position of approximately \$5.8m through April.

Please let me know if you have any additional questions/comments/concerns and I will do my best to address them.

Thanks,

MM

Current Residential Rates

	Distribution Charge	GCA	Total	Average Annual	Annual Variable	Monthly Customer	Annual Customer	Monthly PRP	Annual PRP	Average Annual	
	<u>Per Mcf</u>	<u>Per Mcf</u>	<u>Per Mcf</u>	<u>Mcf</u>	<u>Charges</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Bill</u>	
Atmos Energy	\$ 1.73	\$ 4.32	\$ 6.05	64	\$ 387.08	\$ 17.50	\$ 210.00	\$ -	\$ -	\$ 597.08	1
Columbia	\$ 3.35	\$ 4.11	\$ 7.46	64	\$ 477.48	\$ 16.00	\$ 192.00	\$ 2.00	\$ 24.00	\$ 693.48	3
Delta	\$ 4.32	\$ 4.56	\$ 8.87	64	\$ 567.96	\$ 20.90	\$ 250.80	\$ 2.70	\$ 32.40	\$ 851.16	5
Duke	\$ 3.72	\$ 4.25	\$ 7.97	64	\$ 510.10	\$ 16.00	\$ 192.00	\$ 1.80	\$ 21.60	\$ 723.70	4
LG&E	\$ 3.63	\$ 3.99	\$ 7.62	64	\$ 487.43	\$ 16.35	\$ 196.20	\$ 0.60	\$ 7.20	\$ 690.83	2

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-04
Page 1 of 1

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 5. Confirm that Delta Natural Gas Company, Inc., utilizes a historical test year for Pipeline Replacement Program (PRP) filings.

RESPONSE:

The Company has confirmed that Delta Natural Gas Company, Inc. ("Delta") utilizes a historical test period for its PRP filings. As part of the Company's investigation for its response to Staff DR No. 2-05, we heard back from Delta after the response had been filed. It is noteworthy that Delta employs a historical test period for both its PRP and for general cases. As stated in the Company's response to Staff DR No. 2-05 subpart (b), for utilities like Atmos Energy, which employ frequent comprehensive forward-looking rate cases (as permitted under KRS 278.192), integrating a historical test year Rider with frequent forward-looking comprehensive cases is a significant mathematical and accounting challenge. Such a combination would be a departure from past practices.

Respondent: Mark Martin

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-05
Page 1 of 1

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 6. Provide a breakdown of all increased costs that will be associated with Atmos's decision to file a yearly rate case instead of a yearly PRP case.

RESPONSE:

All of the components of the Company's cost of service are subject to change year over year and thus the Company believes that it is appropriate and fair for both customers and the Company for the Commission to review and adjust the Company's rates annually.

In an environment of increasing investment needs, which is the current state and foreseeable future state for the Company and the natural gas distribution industry as a whole, the following components of cost of service will normally increase year over year:

- Depreciation expense
- Return on investment
- Ad Valorem expense
- Income tax expense
- Interest expense (to the extent interest rates stay steady and/or rise)

While other components of cost of service can vary in either direction year over year, most are subject to general inflationary pressures. They include:

- O&M expense
- Interest expense (to the extent the Company refinances higher cost debt with lower cost debt)
- Taxes, other than income taxes and ad valorem taxes

The Company's decision to file annual general rate cases in lieu of the modified PRP mechanism is primarily an issue of regulatory lag and the nature of stranded (never recovered) costs associated with regulatory lag. For further answer, please see the Company's responses to AG DR Nos. 2-33 and 2-34.

Respondents: Mark Martin and Greg Waller

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-06
Page 1 of 1

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 9.

- a. Confirm that if the gas cost component of the average annual bill is removed, the average annual bill has increased approximately \$152, or 46 percent from Fiscal Year 2007 to Fiscal Year 2018.
- b. Provide the average annual percent increase of the annual average bill removing the Gas Cost Component.

RESPONSE:

Please note that a customer pays a total bill and removing certain components of a bill can distort the true impact to the customer. The Company stands by its assertion that the average residential bill in FY18 is less than what it was in FY07.

- a. Confirm that the average annual bill has increased approximately \$152. Deny the calculation of 46 percent. Please see Attachment 1.
- b. Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-06_Att1 - KY Bill Comparison.xlsx, 1 Page.

Respondent: Mark Martin

Jurisdiction	Revenue Stat	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
KY	Avg Base Charge Count	153,662	153,440	152,754	153,117	153,758	153,931	155,082	155,638	155,556	155,983	156,615	157,419
KY	Monthly Bill	\$ 64	\$ 70	\$ 71	\$ 51	\$ 47	\$ 44	\$ 48	\$ 60	\$ 59	\$ 44	\$ 46	\$ 55
KY	Annual Bill	\$ 763	\$ 839	\$ 853	\$ 617	\$ 568	\$ 523	\$ 578	\$ 721	\$ 707	\$ 530	\$ 550	\$ 663
KY	Annual Margin	\$ 178	\$ 195	\$ 193	\$ 202	\$ 228	\$ 233	\$ 245	\$ 270	\$ 298	\$ 310	\$ 324	\$ 330
KY	Annual Gas Cost	\$ 585	\$ 643	\$ 661	\$ 415	\$ 340	\$ 290	\$ 333	\$ 451	\$ 409	\$ 220	\$ 226	\$ 333
KY	Annual Usage/ Customer	67	68	68	69	70	54	67	75	71	56	52	65
KY	Annual GCA Rate	\$ 8.77	\$ 9.51	\$ 9.78	\$ 6.00	\$ 4.88	\$ 5.41	\$ 4.98	\$ 6.01	\$ 5.76	\$ 3.96	\$ 4.35	\$ 5.09
	Annual Bill less Gas Cost	\$ 178	\$ 195	\$ 193	\$ 202	\$ 228	\$ 233	\$ 245	\$ 270	\$ 298	\$ 310	\$ 324	\$ 330
STF 3-6a	FY18 vs FY07 difference (w/o gas costs)	\$ 152	86%										
STF 3-6b	Avg Inc w/o Gas Cost		10%	-1%	5%	13%	2%	5%	10%	10%	4%	4%	2%

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-07
Page 1 of 1

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 13.d. Atmos's response lists the 13-month average of total utility plant included in the net investment rate base at \$538,332,985 for the forecasted test period ending March 31, 2019, as compared to the \$493,095,000 contained in the application in Case No. 2017-00349.¹ Explain the large discrepancy in the amount projected in the application with the actual (with the exception of the projected months) total utility plant included in net investment rate base for that period.

RESPONSE:

The \$538,332,985 listed in the request is the March 31, 2019 ending balance. The 13-month average for the period ending March 31, 2019 is \$501,854,072 as shown on cell B236 of the Company's response to Staff DR No. 2-13 subpart (b).

Respondent: Greg Waller

¹ Case No. 2017-00349, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications*, (Ky. PSC May 3, 2018).

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-08
Page 1 of 2

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 21. For the forecasted test year ending March 31, 2020, provide the following information:

- a. Provide the amount of jurisdictional medical insurance premiums Atmos paid on behalf of employees with single medical insurance coverage, the amount paid by employees, and the total amount paid for medical insurance premiums.
- b. For jurisdictional employee single coverage medical insurance, provide the monthly premium paid by an individual employee, Atmos's contribution, and the total premium.
- c. Provide the amount of jurisdictional medical insurance Atmos paid on behalf of employees with other than single medical insurance coverage, the amount paid by employees, and the total amount paid for medical insurance.
- d. For jurisdictional employees other than single coverage medical insurance, provide the monthly premiums paid by offered category, i.e., employee and spouse, family, single parent and dependents, etc, Atmos's contribution for each of the respective categories monthly premium, and the total for each premium category.
- e. Provide the amount of jurisdictional dental insurance premiums paid by Atmos on behalf of employees, the amount paid by employees, and the total insurance premium.
- f. For jurisdictional employee dental insurance, provide the monthly premiums paid by offered category, i.e., individual, employee and spouse, family, etc, Atmos's contribution for each of the respective categories monthly premium and the total for each premium category.
- g. Confirm whether Atmos has employees participating in both a defined-benefit plan and a 401 (k) retirement savings account. For those employees that participate in a defined-benefit plan, provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any 401 (k) retirement savings account.
- h. Provide the amounts requested in the above Items a. through d. that are passed through to Kentucky by the Division's General Services, Shared Services, and other affiliated companies.

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-08
Page 2 of 2

RESPONSE:

- a. The Company does not forecast benefits in the level of detail necessary to respond to the request for forward looking periods. Please see the file "OM for KY-2018 case" provided by the Company as part of Attachment 1 in response to Staff DR No. 1-71 for a breakdown of Benefits for the forecasted test period.

The Company believes that, for the detailed information requested, a recent 12 month period of actual results is a reasonable proxy of the amounts included in the forward looking test year. This is the methodology that was used for this type of information in Case No. 2017-00349.

Relying on this approach, the Company will provide detailed responses for the 12 month period ending December 31, 2018 (the base period in the current case) once information is available.

- b. Please see the response to subpart (a).
- c. Please see the response to subpart (a).
- d. Please see the response to subpart (a).
- e. Please see the response to subpart (a).
- f. Please see the response to subpart (a).
- g. Using the methodology described in subpart (a), The Company made an adjustment in its Revenue Requirement filing for employees who participate in both a defined-benefit plan and a 401(k) retirement savings account. Please see Schedule F.11 in the Company's filing as well as the testimony of Greg Waller at Page 32.
- h. Please see the response to subpart (a).

Respondent: Greg Waller

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-09
Page 1 of 1

REQUEST:

Refer Atmos's response to Staff's Second Request, Item 27. Explain if Atmos believes the billing analysis needs to be updated to reflect the loss of the T4 customer. If so, provide an updated billing analysis in Excel format with all formulas unprotected and all rows and columns fully accessible.

RESPONSE:

The Company does not believe it is necessary to update the billing analysis to reflect the loss of this customer. The effect of this change would be a reduction of slightly more than \$20,000 in current revenues. And, the billing determinants would be in place as if this customer would share in the rate change resulting from this case. Nevertheless, revenues will vary from those forecast in this case and costs will vary from the forecasts. Unless the known change from the forecast is highly material, the Company believes the original forecast should be employed.

Respondent: Josh Densman

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-10
Page 1 of 1

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 33.b. Provide the 13-month average capitalization for the forecasted test period.

RESPONSE:

Please see confidential Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff 3_10_Att1 - Capital Structure Mar'19-Mar'20 (CONFIDENTIAL).xlsx, 1 Page.

Respondent: Joe Christian

**Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-11
Page 1 of 1**

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 34.a.

- a. Provide the calculation of the estimated \$63 million to be paid when settled.
- b. Explain whether the \$63 million will be incurred in connection to the settlement of the original note or the establishment of the refinanced note.

RESPONSE:

- a. Please see Attachment 1.
- b. The \$63 million will be incurred in connection with the establishment of the refinanced note.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation Staff_3-11_att1 - Swaps Calculation.xlsx, 1 Page.

Respondent: Joe Christian

Atmos Energy Corp.
KY Staff 3-11 a.

As of September 7, 2018	Entered 4/14/14 MUGG - \$ 75 mm	Entered 4/25/14 JPM - \$100 mm	Entered 5/2/14 BNP Paribas - \$75 mm	Entered 7/24/14 CIBC - \$75 mm	Entered 8/22/14 MS - \$75 mm	Entered 12/9/14 BAML - \$50 mm	Total - \$450 mm
Spot Yield for Once Old 30y	3.101%	3.101%	3.101%	3.101%	3.101%	3.101%	3.101%
Switch (bp)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Spot Swap Spread (bp)	-7	-7	-7	-7	-7	-7	-7
Remaining Fwd Premium (bp)	1.18	1.18	1.18	1.18	1.18	1.18	1.18
Reference Market Rate (mid)	3.041%	3.041%	3.041%	3.041%	3.041%	3.041%	3.041%
Locked Rate	3.985%	3.975%	3.880%	3.750%	3.600%	3.158%	
bp in/(out) the money	-94.38	-93.38	-83.88	-70.88	-55.88	-11.63	
PV01	144,701	192,934	144,701	144,701	144,701	96,473	
Settlement Amount	(13,656,865)	(18,016,220)	(12,137,506)	(10,256,396)	(8,085,883)	(1,121,981)	(63,274,851)

The Company entered into \$450 million of forward starting interest rate swaps to effectively hedge a portion of the underlying treasury for our March 15, 2019 refinancing of 8.5% debt. As disclosed on page 36 of our Form 10-K filed with the SEC on November 13, 2017, "We manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest. As disclosed on page 81 of our Form 10-K filed with the Securities and Exchange Commission (SEC) on November 13, 2017, "When the forward starting interest rate swaps settle, the realized gain or loss will be recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest expense over the life of the related financing arrangement."

In fiscal 2014 and 2015, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with \$450 million of the anticipated issuance of \$450 million unsecured senior notes in fiscal 2019. We designated all of these swaps as cash flow hedges at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the forward starting interest rate swaps will be recorded as a component of accumulated other comprehensive income (loss). When the forward starting interest rate swaps settle, the realized gain or loss will be recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest expense over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred, will be reported as a

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-12
Page 1 of 1

REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 34.b(1), Attachment 1, page 4 of 8.

- a. Confirm that the refinance of the 8.50 percent Sr. Note due March 15, 2019, is still included in the base period. If confirmed, provide a corrected schedule.
- b. Refer also to Atmos's response to Staff's Second Request, Item 64, Attachment 1, page 114 of 121. Confirm that the refinance of the 8.50 percent Sr. Note due March 15, 2019, is still included in the base period. If confirmed, provide a corrected Attachment 1.

RESPONSE:

- a. Confirm. Please see Attachment 1 for a corrected attachment.
- b. Confirm. Please see Attachment 2.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-12_Att1 - FR_16(8)(j)__Att1 - Schedule J Updated.xlsx, 8 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, 2018 KY Rev Req Model.xlsx, 121 Pages.

Respondents: Joe Christian and Greg Waller

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Cost of Capital Summary
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(j)
 Schedule J-1
 Sheet 1 of 1
 Witness: Christian

Line No.	Class of Capital	Workpaper Reference (A)	Amount (B) \$000	Percent of Total (C) %	Cost Rate (D) %	Weighted Cost (E) %
<u>Capital Structure</u>						
6	SHORT-TERM DEBT	J-3	\$ 281,542	3.47%	2.40%	0.08%
7	LONG-TERM DEBT	J-3	3,068,315	37.83%	5.22%	1.97%
8	PREFERRED STOCK	J-4	0	0.00%	0.00%	0.00%
9	COMMON EQUITY		<u>\$ 4,760,181</u>	<u>58.69%</u>	10.40%	<u>6.10%</u>
10	Total Capital		<u>\$ 8,110,038</u>	<u>100.00%</u>		<u>8.15%</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 13 Month Average Capital Structure
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(j)
 Schedule J-1
 Witness: Christian

PROPOSED RATES

Line No.	Class of Capital	Workpaper Reference (A)	Base Period			Forecasted Period				
			Amount (B)	Percent of Total (C)	Cost Rate (D)	Weighted Cost (E)	Amount (F)	Percent of Total (G)	Cost Rate (H)	Weighted Cost (I)
			\$000	%	%	%	\$000	%	%	%
1	SHORT-TERM DEBT		281,542	3.47%	2.40%	0.08%	281,542	3.44%	2.40%	0.08%
2	LONG-TERM DEBT		3,068,315	37.83%	5.22%	1.97%	3,131,315	38.31%	4.72%	1.81%
3	Total DEBT		3,349,857	41.30%		2.05%	3,412,857	41.75%		1.89%
4	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
5	COMMON EQUITY		4,760,181	58.70%	10.40%	6.10%	4,760,181	58.24%	10.40%	6.06%
6	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
7	Total Capital		8,110,038	100.0%		8.15%	8,173,038	100.0%		7.95%

CURRENT RATES

Line No.	Class of Capital	Workpaper Reference (A)	Base Period			Forecasted Period				
			Amount (B)	Percent of Total (C)	Cost Rate (D)	Weighted Cost (E)	Amount (F)	Percent of Total (G)	Cost Rate (H)	Weighted Cost (I)
			\$000	%	%	%	\$000	%	%	%
8	SHORT-TERM DEBT		281,542	3.47%	2.40%	0.08%	281,542	3.44%	2.40%	0.08%
9	LONG-TERM DEBT		3,068,315	37.83%	5.22%	1.97%	3,131,315	38.31%	4.72%	1.81%
10	Total DEBT		3,349,857	41.30%		2.05%	3,412,857	41.75%		1.89%
11	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
12	COMMON EQUITY		4,760,181	58.70%	7.82%	4.59%	4,760,181	58.24%	6.28%	3.66%
13	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
14	Total Capital		8,110,038	100.0%		6.64%	8,173,038	100.0%		5.55%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
ANNUALIZED SHORT-TERM DEBT
as of December 31, 2017

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s): _____

FR 16(8)(j)
Schedule J-2
Sheet 1 of 1
Witness: Christian

Line No.	Issue (A)	Amount Outstanding (B) \$000	(1) Interest Rate (C)	Effective Annual Cost (D) \$000	Composite Interest Rate (E=D/B)
1	AVERAGE SHORT-TERM DEBT	\$ 281,542	1.414%	\$ 3,982	
2	COMMITMENT FEE & BANK ADMIN			\$ 2,778	
3	TOTAL SHORT-TERM DEBT	\$ 281,542		\$ 6,760	2.40%

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended June 30, 2018

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 AVERAGE ANNUALIZED LONG-TERM DEBT
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(j)
 Schedule J-3
 Witness: Christian

Line No.	Issue (A)	13 Mth Avg. Amount Outstanding (B)	Interest Rate (C)	Effective Annual Cost (D)	Composite Interest Rate (E=D/B)
1	6.75% Debentures Unsecured due July 2028	\$ 150,000,000	6.75%	\$10,125,000	
2	6.67% MTN A1 due Dec 2025	10,000,000	6.67%	667,000	
3	5.95% Sr Note due 10/15/2034	200,000,000	5.95%	11,900,000	
4	Sr Note 5.50% Due 06/15/2041	400,000,000	5.50%	22,000,000	
5	8.50% Sr Note due 3/15/2019	450,000,000	8.50%	38,250,000	
6	4.15% Sr Note due 1/15/2043	500,000,000	4.15%	20,750,000	
7	4.125% Sr Note due 10/15/2044	750,000,000	4.13%	30,937,500	
8	3% Sr Note dues 6/15/2027	500,000,000	3.00%	15,000,000	
9	\$200MM 3YR Sr Credit Facility (Est. 9/22/16)	125,000,000	3.06%	3,825,000	
10	Total	\$ 3,085,000,000		\$153,454,500	
11					
12	Annualized Amortization of Debt Exp. & Debt Dsct.			\$6,580,966	
13	Less Unamortized Debt Discount	\$4,425,158			
14	Less Unamortized Debt Expenses	(\$21,110,455)			
15					
16					
17					
18	Total LONG-TERM DEBT	<u>\$3,068,314,702.82</u>		<u>160,035,466</u>	<u>5.22%</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
EMBEDDED Cost of PREFERRED STOCK

Data: Base Period Forecasted Period
Type of Filing: Original Updated
Workpaper Reference No(s).

FR 16(8)(j)
Schedule J-4
Sheet 1 of 1
Witness: Christian

Line No.	Dividend Rate, TYPE, PAR Amount	Date Issued (A)	Amount Outstanding (B)	Premium or Discount (C)	Issue Expense (D)	Gain or Loss on Reacquired Stock (E)	Net Proceeds (F=B+C-D+E)	Cost Rate At Issue (G)	Annualized Dividends (H=GXB)
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Atmos Energy Corporation has no PREFERRED STOCK OUTSTANDING at this time.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Cost of Capital Summary
Thirteen Month Average as of March 31, 2019

Data: ___ Base Period ___ X ___ Forecasted Period
Type of Filing: ___ X ___ Original ___ Updated ___ Revised
Workpaper Reference No(s):

FR 16(8)(j)
Schedule J-1
Witness: Christian

Line No.	Class of Capital	Workpaper Reference (A)	Amount (B) \$000	Percent of Total (C)	Cost Rate (D) %	Weighted Cost (E) %
<u>Capital Structure</u>						
6	SHORT-TERM DEBT		\$ 281,542	3.4%	2.40%	0.08%
7	LONG-TERM DEBT	J-3	3,131,315	38.3%	4.72%	1.81%
8	PREFERRED STOCK	J-4	0	0.0%	0.00%	0.00%
9	COMMON EQUITY		\$ 4,760,181	58.2%	10.40%	6.06%
10	Total Capital		\$ 8,173,038	100.0%		7.95%

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 AVERAGE ANNUALIZED SHORT-TERM DEBT
 as of March 31, 2019

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(j)
 Schedule J-2
 Witness: Christian

	Issue	Amount Outstanding	Interest Rate	Effective Annual Cost	Composite Interest Rate
	(A)	(B) \$000	(C)	(D) \$000	(E=D/B)
1	AVERAGE SHORT-TERM DEBT (1)	281,542	1.4143%	3,982	
2	COMMITMENT FEE			2,778	
3	TOTAL SHORT-TERM DEBT	<u>281,542</u>		<u>6,760</u>	<u>2.40%</u>

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended June 30, 2018.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 AVERAGE ANNUALIZED LONG-TERM DEBT
 Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(j)
 Schedule J-3
 Sheet 1 of 1

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

Witness: Christian

Line No.	Issue (A)	13 Mth Average Amount Outstanding (B)	Interest Rate (C)	Effective Annual Cost (D)	Composite Interest Rate (E=D/B)
1	6.75% Debentures Unsecured due July 2028	\$ 150,000,000	6.75%	\$ 10,125,000	
2	6.67% MTN A1 due Dec 2025	10,000,000	6.67%	667,000	
3	5.95% Sr Note due 10/15/2034	200,000,000	5.95%	11,900,000	
4	Sr Note 5.50% Due 06/15/2041	400,000,000	5.50%	22,000,000	
5	8.50% Sr Note due 3/15/2019; REFINANCE	513,000,000	5.07%	26,031,660	
6	4.15% Sr Note due 1/15/2043	500,000,000	4.15%	20,750,000	
7	4.125% Sr Note due 10/15/2044	750,000,000	4.13%	30,937,500	
8	3% Sr Note due 6/15/2027	500,000,000	3.00%	15,000,000	
9	\$200MM 3YR Sr Credit Facility (Est. 9/22/16)	125,000,000	3.06%	3,825,000	
10	Total	\$ 3,148,000,000		\$ 141,236,160	
11					
12	Annualized Amortization of Debt Exp. & Debt Dsct.			6,580,966	
13	Less Unamortized Debt Discount	\$4,425,158			
14	Less Unamortized Debt Expenses	(\$21,110,455)			
15					
16					
17					
18	Total LONG-TERM DEBT	<u>\$ 3,131,314,703</u>		<u>\$ 147,817,126</u>	<u>4.72%</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Schedule	Description	Filing Requirement
A	<u>Summary</u>	FR 16(8)(a)
B	<u>Rate Base</u>	FR 16(8)(b)
C	<u>Operating Income (Revenues & Expenses)</u>	FR 16(8)(c)
D	<u>Adjustments to Operating Income by Account</u>	FR 16(8)(d)
E	<u>Income Tax Calculation</u>	FR 16(8)(e)
F	<u>Rule F Compliance Adjustments</u>	FR 16(8)(f)
G	<u>Payroll Analysis</u>	FR 16(8)(g)
H	<u>Gross Revenue Conversion Factor</u>	FR 16(8)(h)
I	<u>Comparative Income Statements</u>	FR 16(8)(i)
J	<u>Cost of Capital</u>	FR 16(8)(j)
K	<u>Comparative Financial Data</u>	FR 16(8)(k)

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Allocation Factors

Line No.	Description	Forecast Period			Base Period		
		KY/ Md-Sts Division	Kentucky Jurisdiction	Kentucky Composite	KY/ Md-Sts Division	Kentucky Jurisdiction	Kentucky Composite
Rate Base, Dep. Exp., & Taxes Other							
1	Shared Services						
2	General Office (Div 002)	10.40%	49.78%	5.18%	10.40%	49.78%	5.18%
3	Customer Support (Div 012)	10.95%	51.52%	5.64%	10.95%	51.52%	5.64%
4	Kentucky/Mid-States						
5	Mid-States General Office (Div 091)	100%	49.78%	49.78%	100%	49.78%	49.78%
6							
7							
8	Greenville Avenue Data Center			1.57%			1.57%
9	Charles K. Vaughan Center			2.32%			2.32%
10	AEAM			6.36%			6.36%
11	ALGN			0.00%			
12							
13	Kentucky Composite Tax			24.95%			
14							
15	Rate of Return on Equity			10.40%			
16							
17	STDRATE			2.40%			
18							
19	LTD RATE			4.72%			

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Schedule	Pages	Description
A	1	Overall Financial Summary

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Overall Financial Summary
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(a)
 Schedule A
 Witness: Waller

Line No.	Description	Supporting Schedule Reference	Base Jurisdictional Revenue Requirement	Forecasted Jurisdictional Revenue Requirement
	(a)	(b)	(c)	(d)
1	Rate Base	B-1	\$ 414,053,383	\$ 495,967,913
2	Adjusted Operating Income	C-1	\$ 27,501,643	\$ 27,525,325
3	Earned Rate of Return (line 2 divided by line 1)	J-1.1	6.64%	5.55%
4	Required Rate of Return	J-1	8.15%	7.95%
5	Required Operating Income (line 1 times line 4)	C-1	\$ 33,745,351	\$ 39,429,449
6	Operating Income Deficiency (line 5 minus line 2)	C-1	\$ 6,243,708	\$ 11,904,124
7	Gross Revenue Conversion Factor	H	1.34184	1.34184
8	Revenue Deficiency (line 6 times line 7)		\$ 8,378,050	\$ 15,973,418
9	Amortization of Excess ADIT	WP B.5 F1		(1,463,766)
10	Revenue Increase Requested	C-1		\$ 14,509,652
11	Adjusted Operating Revenues	C-1		\$ 169,717,866
12	Revenue Requirements (line 10 plus line 11)	C-1		\$ 184,227,518

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(b)

SCHEDULE B

Rate Base

Schedule	Pages	Description
B-1	2	Rate Base Summary
B-2	14	Plant in Service by Account and Sub Account
B-3	14	Accumulated Depreciation & Amortization
B-3.1	5	Depreciation Expense
B-4	2	Allowance for Working Capital
B-4.1	2	Working Capital Components - 13 Month Averages
B-4.2	2	Cash Working Capital - 1/8 O&M Expenses
B-5	2	Deferred Credits & Accumulated Deferred Income Taxes
B-6	2	Customer Advances For Construction

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Jurisdictional Rate Base Summary
as of December 31, 2018

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s).

FR 16(8)(b)1
Schedule B-1
Witness: Waller, Christian, Story

Line No.	Rate Base Component	Supporting Schedule Reference	Base Period Ending Balance	Base Period 13 Month Average
1	Plant in Service	B-2 B	\$ 671,307,963	\$ 632,311,605
2	Construction Work in Progress	B-2 B	39,130,198	36,163,305
3	Accumulated Depreciation and Amortization	B-3 B	<u>(197,392,161)</u>	<u>(193,590,170)</u>
4	Property Plant and Equipment, Net (Sum line 1 Thru 3)		\$ 513,046,001	\$ 474,884,740
5	Cash Working Capital Allowance	B-4.2 B	\$ 2,678,217	\$ 2,678,217
6	Other Working Capital Allowances (Inventory & Prepaids)	B-4.1 B	13,916,618	13,331,156
7	Customer Advances For Construction	B-6 B	(747,234)	(750,999)
8	Regulatory Assets / Liabilities*	WP B.5 F1; F.6	(34,046,196)	(34,757,594)
9	Deferred Inc. Taxes and Investment Tax Credits	B-5 B	<u>(49,944,561)</u>	<u>(41,332,137)</u>
10	Rate Base (Sum line 4 Thru 8)		<u>\$ 444,902,845</u>	<u>\$ 414,053,383</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Jurisdictional Rate Base Summary
 as of March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(b)1
 Schedule B-1
 Witness: Waller, Christian, Story

Line No.	Rate Base Component	Supporting Schedule Reference	Forecasted Test Period Ending Balance	Forecasted Test Period 13 Month Average
1	Plant in Service	B-2 F	\$ 763,121,143	\$ 724,669,367
2	Construction Work in Progress	B-2 F	39,130,198	39,130,198
3	Accumulated Depreciation and Amortization	B-3 F	<u>(199,412,545)</u>	<u>(194,453,459)</u>
4	Property Plant and Equipment, Net (Sum Line 1 Thru 3)		\$ 602,838,796	\$ 569,346,106
5	Cash Working Capital Allowance	B-4.2 F	\$ 2,692,759	\$ 2,692,759
6	Other Working Capital Allowances (Inventory & Prepays)	B-4.1 F	(1,652,038)	9,023,857
7	Customer Advances For Construction	B-6 F	(747,234)	(747,234)
8	Regulatory Assets / Liabilities	WP B.5 F1; F.6	(32,827,677)	(33,020,670)
9	Deferred Inc. Taxes and Investment Tax Credits	B-5 F	<u>(54,145,487) *</u>	<u>(51,326,905)</u>
10	Rate Base (Sum Line 4 Thru 8)		<u>\$ 516,159,118</u>	<u>\$ 495,967,913</u>

**Test Period ending ADIT balance does not include forecasted change in NOLC.
 Forecasted change in NOLC is calculated on B.5F on a 13 month average basis only
 and included in rate base and revenue requirement.*

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Plant in Service by Accounts and SubAccounts
 as of December 31, 2018

Data: Base Period _____ Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s):

FR 16(8)(b)2
 Schedule B-2 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
Kentucky Direct (Division 009)												
1		<u>Intangible Plant</u>										
2	30100	Organization	\$ 8,330	\$ -	\$ 8,330	100%	100%	\$ 8,330	\$ 8,330	100%	\$ 8,330	
3	30200	Franchises & Consents	\$ 119,853	-	119,853	100%	100%	119,853	119,853	100%	119,853	
4												
5		Total Intangible Plant	\$ 128,182	\$ -	\$ 128,182			\$ 128,182	\$ 128,182		\$ 128,182	
6												
7		<u>Natural Gas Production Plant</u>										
8	32540	Rights of Ways	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	\$ -	
9	33202	Tributary Lines	\$ -	-	-	100%	100%	-	-	100%	-	
10	33400	Field Meas. & Reg. Sta. Equip	\$ -	-	-	100%	100%	-	-	100%	-	
11												
12		Total Natural Gas Production Plant	\$ -	\$ -	\$ -			\$ -	\$ -		\$ -	
13												
14		<u>Storage Plant</u>										
15	35010	Land	\$ 261,127	\$ -	\$ 261,127	100%	100%	\$ 261,127	\$ 261,127	100%	\$ 261,127	
16	35020	Rights of Way	\$ 4,682	-	4,682	100%	100%	4,682	4,682	100%	4,682	
17	35100	Structures and Improvements	\$ 17,916	-	17,916	100%	100%	17,916	17,916	100%	17,916	
18	35102	Compression Station Equipment	\$ 153,261	-	153,261	100%	100%	153,261	153,261	100%	153,261	
19	35103	Meas. & Reg. Sta. Structures	\$ 23,138	-	23,138	100%	100%	23,138	23,138	100%	23,138	
20	35104	Other Structures	\$ 137,443	-	137,443	100%	100%	137,443	137,443	100%	137,443	
21	35200	Wells \ Rights of Way	\$ 8,350,453	-	8,350,453	100%	100%	8,350,453	\$ 8,351,816	100%	8,351,816	
22	35201	Well Construction	\$ 1,699,999	-	1,699,999	100%	100%	1,699,999	\$ 1,699,999	100%	1,699,999	
23	35202	Well Equipment	\$ 449,309	-	449,309	100%	100%	449,309	\$ 449,309	100%	449,309	
24	35203	Cushion Gas	\$ 1,694,833	-	1,694,833	100%	100%	1,694,833	\$ 1,694,833	100%	1,694,833	
25	35210	Leaseholds	\$ 178,530	-	178,530	100%	100%	178,530	\$ 178,530	100%	178,530	
26	35211	Storage Rights	\$ 54,614	-	54,614	100%	100%	54,614	\$ 54,614	100%	54,614	
27	35301	Field Lines	\$ 175,350	-	175,350	100%	100%	175,350	\$ 175,350	100%	175,350	
28	35302	Tributary Lines	\$ 209,319	-	209,319	100%	100%	209,319	\$ 209,319	100%	209,319	
29	35400	Compressor Station Equipment	\$ 923,446	-	923,446	100%	100%	923,446	\$ 923,446	100%	923,446	
30	35500	Meas & Reg. Equipment	\$ 273,084	-	273,084	100%	100%	273,084	\$ 273,084	100%	273,084	
31	35600	Purification Equipment	\$ 414,663	-	414,663	100%	100%	414,663	\$ 414,663	100%	414,663	
32												
33		Total Storage Plant	\$ 15,021,168	\$ -	\$ 15,021,168			\$ 15,021,168	\$ 15,022,530		\$ 15,022,530	

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Plant in Service by Accounts and SubAccounts
 as of December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(b)2
 Schedule B-2 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) / (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) / (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
34												
35		<u>Transmission Plant</u>										
36	36510	Land	\$ 26,970	\$ -	\$ 26,970	100%	100%	\$ 26,970	\$ 26,970	100%	\$ 26,970	
37	36520	Rights of Way	\$ 867,772	-	867,772	100%	100%	867,772	867,772	100%	867,772	
38	36602	Structures & Improvements	\$ 49,002	-	49,002	100%	100%	49,002	49,002	100%	49,002	
39	36603	Other Structures	\$ 60,826	-	60,826	100%	100%	60,826	60,826	100%	60,826	
40	36700	Mains Cathodic Protection	\$ 139,638	-	139,638	100%	100%	139,638	139,638	100%	139,638	
41	36701	Mains - Steel	\$ 27,309,333	-	27,309,333	100%	100%	27,309,333	\$ 27,350,977	100%	27,350,977	
42	36703	Mains - Anodes	\$ -	-	-	100%	100%	-	\$ -	100%	-	
43	36900	Meas. & Reg. Equipment	\$ 731,467	-	731,467	100%	100%	731,467	\$ 731,467	100%	731,467	
44	36901	Meas. & Reg. Equipment	\$ 2,269,556	-	2,269,556	100%	100%	2,269,556	\$ 2,269,556	100%	2,269,556	
45												
46		Total Transmission Plant	\$ 31,454,564	\$ -	\$ 31,454,564			\$ 31,454,564	\$ 31,496,208		\$ 31,496,208	
47												
48		<u>Distribution Plant</u>										
49	37400	Land & Land Rights	\$ 531,167	\$ -	\$ 531,167	100%	100%	\$ 531,167	\$ 531,167	100%	\$ 531,167	
50	37401	Land	\$ 37,326	-	37,326	100%	100%	37,326	\$ 37,326	100%	37,326	
51	37402	Land Rights	\$ 3,220,920	-	3,220,920	100%	100%	3,220,920	\$ 2,910,064	100%	2,910,064	
52	37403	Land Other	\$ 2,784	-	2,784	100%	100%	2,784	\$ 2,784	100%	2,784	
53	37500	Structures & Improvements	\$ 336,168	-	336,168	100%	100%	336,168	\$ 336,168	100%	336,168	
54	37501	Structures & Improvements T.B.	\$ 99,818	-	99,818	100%	100%	99,818	\$ 99,818	100%	99,818	
55	37502	Land Rights	\$ 46,264	-	46,264	100%	100%	46,264	\$ 46,264	100%	46,264	
56	37503	Improvements	\$ 4,005	-	4,005	100%	100%	4,005	\$ 4,005	100%	4,005	
57	37600	Mains Cathodic Protection	\$ 20,773,553	-	20,773,553	100%	100%	20,773,553	\$ 20,885,551	100%	20,885,551	
58	37601	Mains - Steel	\$ 162,648,385	-	162,648,385	100%	100%	162,648,385	\$ 153,554,638	100%	153,554,638	
59	37602	Mains - Plastic	\$ 120,588,439	-	120,588,439	100%	100%	120,588,439	\$ 111,099,889	100%	111,099,889	
60	37603	Mains - Anodes	\$ -	-	-	100%	100%	-	\$ -	100%	-	
61	37604	Mains - Leak Clamps	\$ -	-	-	100%	100%	-	\$ -	100%	-	
62	37800	Meas & Reg. Sta. Equip - General	\$ 22,159,380	-	22,159,380	100%	100%	22,159,380	\$ 16,540,694	100%	16,540,694	
63	37900	Meas & Reg. Sta. Equip - City Gate	\$ 4,601,452	-	4,601,452	100%	100%	4,601,452	\$ 4,224,414	100%	4,224,414	
64	37905	Meas & Reg. Sta. Equipment T.b.	\$ 1,652,259	-	1,652,259	100%	100%	1,652,259	\$ 1,652,346	100%	1,652,346	
65	38000	Services	\$ 137,018,701	-	137,018,701	100%	100%	137,018,701	\$ 126,928,869	100%	126,928,869	
66	38100	Meters	\$ 35,740,648	-	35,740,648	100%	100%	35,740,648	\$ 33,508,206	100%	33,508,206	
67	38200	Meter Installaitons	\$ 56,336,115	-	56,336,115	100%	100%	56,336,115	\$ 55,805,624	100%	55,805,624	
68	38300	House Regulators	\$ 11,948,457	-	11,948,457	100%	100%	11,948,457	\$ 11,332,651	100%	11,332,651	
69	38400	House Reg. Installations	\$ 231,142	-	231,142	100%	100%	231,142	\$ 215,697	100%	215,697	
70	38500	Ind. Meas. & Reg. Sta. Equipment	\$ 5,211,145	-	5,211,145	100%	100%	5,211,145	\$ 5,190,260	100%	5,190,260	
71												
72		Total Distribution Plant	\$ 583,188,126	\$ -	\$ 583,188,126			\$ 583,188,126	\$ 544,906,436		\$ 544,906,436	

Atmos Energy Corporation, Kentucky/Mid-States Division
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 as of December 31, 2018

Data: X Base Period _____ Forecasted Period _____
 Type of Filing: X Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

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 Schedule B-2 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
73												
74		General Plant**										
75	38900	Land & Land Rights	\$ 1,211,697	\$ -	\$ 1,211,697	100%	100%	\$ 1,211,697	\$ 1,211,697	100%	100%	\$ 1,211,697
76	39000	Structures & Improvements	\$ 7,424,787	-	7,424,787	100%	100%	7,424,787	\$ 7,286,005	100%	100%	7,286,005
77	39002	Structures-Brick	\$ 173,115	-	173,115	100%	100%	173,115	\$ 173,115	100%	100%	173,115
78	39003	Improvements	\$ 709,199	-	709,199	100%	100%	709,199	\$ 709,199	100%	100%	709,199
79	39004	Air Conditioning Equipment	\$ 12,955	-	12,955	100%	100%	12,955	\$ 12,955	100%	100%	12,955
80	39009	Improvement to leased Premises	\$ 1,246,194	-	1,246,194	100%	100%	1,246,194	\$ 1,246,194	100%	100%	1,246,194
81	39100	Office Furniture & Equipment	\$ 1,814,260	-	1,814,260	100%	100%	1,814,260	\$ 1,773,500	100%	100%	1,773,500
82	39103	Office Machines	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
83	39200	Transportation Equipment	\$ 220,987	-	220,987	100%	100%	220,987	\$ 220,987	100%	100%	220,987
84	39202	Trailers	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
85	39400	Tools, Shop & Garage Equipment	\$ 3,714,892	-	3,714,892	100%	100%	3,714,892	\$ 3,450,079	100%	100%	3,450,079
86	39603	Ditchers	\$ 39,610	-	39,610	100%	100%	39,610	\$ 39,610	100%	100%	39,610
87	39604	Backhoes	\$ 62,747	-	62,747	100%	100%	62,747	\$ 62,747	100%	100%	62,747
88	39605	Welders	\$ 19,427	-	19,427	100%	100%	19,427	\$ 19,427	100%	100%	19,427
89	39700	Communication Equipment	\$ 524,257	-	524,257	100%	100%	524,257	\$ 524,257	100%	100%	524,257
90	39701	Communication Equip.	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
91	39702	Communication Equip.	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
92	39705	Communication Equip. - Telemetering	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
93	39800	Miscellaneous Equipment	\$ 3,891,771	-	3,891,771	100%	100%	3,891,771	\$ 3,892,194	100%	100%	3,892,194
94	39901	Servers Hardware	\$ 14,390	-	14,390	100%	100%	14,390	\$ 14,390	100%	100%	14,390
95	39902	Servers Software	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
96	39903	Other Tangible Property - Network - H/W	\$ 134,599	-	134,599	100%	100%	134,599	\$ 134,599	100%	100%	134,599
97	39906	Other Tang. Property - PC Hardware	\$ 730,409	-	730,409	100%	100%	730,409	\$ 916,126	100%	100%	916,126
98	39907	Other Tang. Property - PC Software	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
99	39908	Other Tang. Property - Mainframe S/W	\$ 123,515	-	123,515	100%	100%	123,515	\$ 123,515	100%	100%	123,515
100												
101		Total General Plant	\$ 22,088,811	\$ -	\$ 22,088,811			\$ 22,088,811	\$ 21,810,595			\$ 21,810,595
102												
103		Total Plant (Div 9)	\$ 651,860,851	\$ -	\$ 651,860,851			\$ 651,860,851	\$ 613,363,952			\$ 613,363,952
104												
105		CWIP With out AFUDC	\$ 38,154,809	\$ -	\$ 38,154,809	100%	100%	\$ 38,154,809	\$ 35,310,857	100%	100%	\$ 35,310,857

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 as of December 31, 2018

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 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

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 Schedule B-2 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month				
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)				Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)	
106													
107		Kentucky-Mid-States General Office (Division 091)											
108													
109		<u>Intangible Plant</u>											
110	30100	Organization	\$ 185,309	\$ -	\$ 185,309	100%	49.78%	\$ 92,247	\$ 185,309	100%	49.78%	\$ 92,247	
111	30300	Misc Intangible Plant	\$ 1,109,552	-	1,109,552	100%	49.78%	552,335	\$ 1,109,552	100%	49.78%	552,335	
112													
113		Total Intangible Plant	\$ 1,294,861	\$ -	\$ 1,294,861			\$ 644,582	\$ 1,294,861			\$ 644,582	
114													
115		<u>Distribution Plant</u>											
116	37400	Land & Land Rights	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	49.78%	\$ -	
117	35010	Land	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
118	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
119	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
120	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
121	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
122	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
123	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
124	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
125	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
126	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
127	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
128	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
129	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
130	38000	Services	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
131	38100	Meters	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
132	38200	Meter Installatons	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
133	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
134	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
135	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
136	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	49.78%	-	
137													
138		Total Distribution Plant	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -	

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 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s):

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 Schedule B-2 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
139												
140		General Plant										
141	39001	Structures Frame	\$ 179,339	-	179,339	100%	49.78%	\$ 89,275	\$ 179,339	100%	\$ 89,275	
142	39004	Air Conditioning Equipment	\$ 15,384	-	15,384	100%	49.78%	\$ 7,658	\$ 15,384	100%	\$ 7,658	
143	39009	Improvement to leased Premises	\$ 38,834	-	38,834	100%	49.78%	\$ 19,332	\$ 38,834	100%	\$ 19,332	
144	39100	Office Furniture & Equipment	\$ 38,609	-	38,609	100%	49.78%	\$ 19,220	\$ 39,253	100%	\$ 19,540	
145	39101	Office Furniture And	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
146	39103	Office Machines	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
147	39200	Transportation Equipment	\$ 27,285	-	27,285	100%	49.78%	\$ 13,582	\$ 27,285	100%	\$ 13,582	
148	39300	Stores Equipment	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
149	39400	Tools, Shop & Garage Equipment	\$ 175,867	-	175,867	100%	49.78%	\$ 87,547	\$ 175,867	100%	\$ 87,547	
150	39600	Power Operated Equipment	\$ 20,516	-	20,516	100%	49.78%	\$ 10,213	\$ 20,516	100%	\$ 10,213	
151	39700	Communication Equipment	\$ 37,541	-	37,541	100%	49.78%	\$ 18,688	\$ 37,541	100%	\$ 18,688	
152	39701	Communication Equip.	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
153	39702	Communication Equip.	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
154	39800	Miscellaneous Equipment	\$ 814,167	-	814,167	100%	49.78%	\$ 405,292	\$ 814,167	100%	\$ 405,292	
155	39900	Other Tangible Property	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
156	39901	Other Tangible Property - Servers - H/W	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
157	39902	Other Tangible Property - Servers - S/W	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
158	39903	Other Tangible Property - Network - H/W	\$ -	-	-	100%	49.78%	\$ -	\$ -	100%	\$ -	
159	39906	Other Tang. Property - PC Hardware	\$ 70,178	-	70,178	100%	49.78%	\$ 34,934	\$ 70,178	100%	\$ 34,934	
160	39907	Other Tang. Property - PC Software	\$ 137,919	-	137,919	100%	49.78%	\$ 68,656	\$ 88,807	100%	\$ 44,208	
161	39908	Other Tang. Property - Mainframe S/W	\$ 828,509	-	828,509	100%	49.78%	\$ 412,432	\$ 828,509	100%	\$ 412,432	
162												
163		Total General Plant	\$ 2,384,148	\$ -	\$ 2,384,148			\$ 1,186,829	\$ 2,335,679		\$ 1,162,701	
164												
165		Total Plant (Div 91)	\$ 3,679,009	\$ -	\$ 3,679,009			\$ 1,831,410	\$ 3,630,540		\$ 1,807,283	
166												
167		CWIP With out AFUDC	\$ 4,642	\$ -	\$ 4,642	100%	49.78%	\$ 2,311	\$ 59,040	100%	\$ 29,390	

Atmos Energy Corporation, Kentucky/Mid-States Division
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 Schedule B-2 B
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Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018		Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			Ending Balance	Adjustments								
168		Shared Services General Office (Division 002)										
169		General Plant										
170												
171												
172	39000	Structures & Improvements	\$ 1,586,282	\$ -	\$ 1,586,282	10.40%	49.78%	\$ 82,124	\$ 1,466,645	10.40%	49.78%	\$ 75,930
173	39005	G-Structures & Improvements	\$ 9,187,142	-	\$ 9,187,142	100.00%	1.57%	144,296	\$ 9,187,158	100.00%	1.57%	144,296
174	39009	Improvement to leased Premises	\$ 9,316,001	-	\$ 9,316,001	10.40%	49.78%	482,301	\$ 9,316,001	10.40%	49.78%	482,301
175	39020	Struct & Improv AEAM	\$ -	-	\$ -	100.00%	6.36%	-	\$ -	100.00%	6.36%	-
176	39029	Improv-Leased AEAM	\$ 7,891	-	\$ 7,891	10.40%	6.36%	52	\$ 2,772	10.40%	6.36%	18
177	39100	Office Furniture & Equipment	\$ 5,144,630	-	\$ 5,144,630	10.40%	49.78%	266,344	\$ 5,127,587	10.40%	49.78%	265,461
178	39102	Remittance Processing Equip	\$ -	-	\$ -	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
179	39103	Office Machines	\$ -	-	\$ -	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
180	39104	G-Office Furniture & Equip.	\$ 104,316	-	\$ 104,316	100.00%	1.57%	1,638	\$ 78,244	100.00%	1.57%	1,229
181	39120	Off Furn & Equip-AEAM	\$ 263,338	-	\$ 263,338	100.00%	6.36%	16,754	\$ 263,338	100.00%	6.36%	16,754
182	39200	Transportation Equipment	\$ 7,125	-	\$ 7,125	10.40%	49.78%	369	\$ 7,125	10.40%	49.78%	369
183	39300	Stores Equipment	\$ -	-	\$ -	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
184	39400	Tools, Shop & Garage Equipment	\$ 76,071	-	\$ 76,071	10.40%	49.78%	3,938	\$ 76,071	10.40%	49.78%	3,938
185	39420	Tools And Garage-AEAM	\$ -	-	\$ -	100.00%	6.36%	-	\$ -	100.00%	6.36%	-
186	39500	Laboratory Equipment	\$ -	-	\$ -	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
187	39700	Communication Equipment	\$ 1,039,344	-	\$ 1,039,344	10.40%	49.78%	53,808	\$ 1,039,344	10.40%	49.78%	53,808
188	39720	Commun Equip AEAM	\$ 8,824	-	\$ 8,824	100.00%	6.36%	581	\$ 8,824	100.00%	6.36%	581
189	39800	Miscellaneous Equipment	\$ 136,510	-	\$ 136,510	10.40%	49.78%	7,067	\$ 136,510	10.40%	49.78%	7,067
190	39820	Misc Equip - AEAM	\$ 7,388	-	\$ 7,388	100.00%	6.36%	470	\$ 7,388	100.00%	6.36%	470
191	39900	Other Tangible Property	\$ 162,075	-	\$ 162,075	10.40%	49.78%	8,391	\$ 162,203	10.40%	49.78%	8,397
192	39901	Other Tangible Property - Servers - H/W	\$ 39,780,343	-	\$ 39,780,343	10.40%	49.78%	2,059,476	\$ 37,881,111	10.40%	49.78%	1,961,151
193	39902	Other Tangible Property - Servers - S/W	\$ 22,284,605	-	\$ 22,284,605	10.40%	49.78%	1,153,701	\$ 20,046,455	10.40%	49.78%	1,037,829
194	39903	Other Tangible Property - Network - H/W	\$ 5,886,587	-	\$ 5,886,587	10.40%	49.78%	304,756	\$ 4,287,497	10.40%	49.78%	221,969
195	39904	Other Tang. Property - CPU	\$ -	-	\$ -	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
196	39905	Other Tangible Property - MF - Hardware	\$ -	-	\$ -	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
197	39908	Other Tang. Property - PC Hardware	\$ 2,537,000	-	\$ 2,537,000	10.40%	49.78%	131,344	\$ 2,484,331	10.40%	49.78%	128,617
198	39907	Other Tang. Property - PC Software	\$ 1,564,492	-	\$ 1,564,492	10.40%	49.78%	80,996	\$ 1,504,611	10.40%	49.78%	77,895
199	39908	Other Tang. Property - Mainframe S/W	\$ 70,884,071	-	\$ 70,884,071	10.40%	49.78%	3,669,753	\$ 68,387,777	10.40%	49.78%	3,540,517
200	39909	Other Tang. Property - Application Software	\$ 39,252	-	\$ 39,252	10.40%	49.78%	2,032	\$ 39,252	10.40%	49.78%	2,032
201	39921	Servers-Hardware-AEAM	\$ 1,628,900	-	\$ 1,628,900	100.00%	6.36%	103,635	\$ 1,628,900	100.00%	6.36%	103,635
202	39922	Servers-Software-AEAM	\$ 961,256	-	\$ 961,256	100.00%	6.36%	61,157	\$ 961,256	100.00%	6.36%	61,157
203	39923	Network Hardware-AEAM	\$ 60,170	-	\$ 60,170	100.00%	6.36%	3,828	\$ 60,170	100.00%	6.36%	3,828
204	39924	39924-Oth Tang Prop - Gen.	\$ -	-	\$ -	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
205	39926	Pc Hardware-AEAM	\$ 314,379	-	\$ 314,379	100.00%	6.36%	20,002	\$ 314,379	100.00%	6.36%	20,002
206	39928	Application SW-AEAM	\$ 20,716,774	-	\$ 20,716,774	100.00%	6.36%	1,318,052	\$ 20,690,005	100.00%	6.36%	1,316,348
207	39931	ALGN-Servers-Hardware	\$ 297,267	-	\$ 297,267	100.00%	0.00%	-	\$ 297,267	100.00%	0.00%	-
208	39932	ALGN-Servers-Software	\$ 345,730	-	\$ 345,730	100.00%	0.00%	-	\$ 345,730	100.00%	0.00%	-
209	39938	ALGN-Application SW	\$ 18,754,055	-	\$ 18,754,055	100.00%	0.00%	-	\$ 18,754,055	100.00%	0.00%	-
210												
211		Total General Plant (Div 2)	\$ 213,101,821	\$ -	\$ 213,101,821			\$ 9,976,844	\$ 203,784,289			\$ 9,535,581
212												
213		CWIP With out AFUDC	\$ 14,454,841	\$ -	\$ 14,454,841	10.40%	49.78%	\$ 748,344	\$ 12,321,402	10.40%	49.78%	\$ 637,894
214												

Almos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Plant in Service by Accounts and SubAccounts
 as of December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

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 Schedule B-2 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average				
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)				13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)	
215		Shared Services Customer Support (Division 012)											
216													
217		General Plant											
218	38900	Land	\$ 2,874,240	\$ -	\$ 2,874,240	10.95%	51.52%	\$ 162,142	\$ 2,874,240	10.95%	51.52%	\$ 162,142	
219	38910	CKV-Land & Land Rights	\$ 1,886,443	-	1,886,442.92	100.00%	2.32%	43,739	\$ 1,886,443	100.00%	2.32%	43,739	
220	39000	Structures & Improvements	\$ 12,669,003	-	12,669,002.61	10.95%	51.52%	714,686	\$ 12,669,003	10.95%	51.52%	714,686	
221	39009	Improvement to leased Premises	\$ 2,820,614	-	2,820,613.55	10.95%	51.52%	159,117	\$ 2,820,614	10.95%	51.52%	159,117	
222	39010	CKV-Structures & Improvements	\$ 12,305,840	-	12,305,840.00	100.00%	2.32%	285,325	\$ 12,305,840	100.00%	2.32%	285,325	
223	39100	Office Furniture & Equipment	\$ 2,418,422	-	2,418,422.21	10.95%	51.52%	136,428	\$ 2,389,011	10.95%	51.52%	134,769	
224	39101	Office Furniture And	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-	
225	39102	Remittance Processing	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-	
226	39103	39103-Office Furn. - Copiers & Type	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-	
227	39110	CKV-Office Furn & Eq	\$ 417,639	-	417,639.07	100.00%	2.32%	9,683	\$ 395,234	100.00%	2.32%	9,164	
228	39210	CKV-Transportation Eq	\$ 96,290	-	96,290.22	100.00%	2.32%	2,233	\$ 96,290	100.00%	2.32%	2,233	
229	39410	CKV-Tools Shop Garage	\$ 458,265	-	458,264.59	100.00%	2.32%	10,625	\$ 419,762	100.00%	2.32%	9,733	
230	39510	CKV-Laboratory Equip	\$ 23,632	-	23,632.07	100.00%	2.32%	548	\$ 23,632	100.00%	2.32%	548	
231	39700	Communication Equipment	\$ 1,913,117	-	1,913,117.11	10.95%	51.52%	107,923	\$ 1,913,117	10.95%	51.52%	107,923	
232	39710	CKV-Communication Equipment	\$ 291,501	-	291,500.62	100.00%	2.32%	6,759	\$ 291,501	100.00%	2.32%	6,759	
233	39800	Miscellaneous Equipment	\$ 70,016	-	70,015.66	10.95%	51.52%	3,950	\$ 70,016	10.95%	51.52%	3,950	
234	39810	CKV-Misc Equipment	\$ 509,283	-	509,282.85	100.00%	2.32%	11,808	\$ 509,283	100.00%	2.32%	11,808	
235	39900	Other Tangible Property	\$ 629,166	-	629,166.46	10.95%	51.52%	35,493	\$ 629,166	10.95%	51.52%	35,493	
236	39901	Other Tangible Property - Servers - H/W	\$ 10,343,249	-	10,343,248.64	10.95%	51.52%	583,485	\$ 10,343,249	10.95%	51.52%	583,485	
237	39902	Other Tangible Property - Servers - S/W	\$ 2,023,936	-	2,023,936.45	10.95%	51.52%	114,175	\$ 2,023,936	10.95%	51.52%	114,175	
238	39903	Other Tangible Property - Network - H/W	\$ 629,226	-	629,225.62	10.95%	51.52%	35,496	\$ 629,226	10.95%	51.52%	35,496	
239	39906	Other Tang. Property - PC Hardware	\$ 1,012,629	-	1,012,629.35	10.95%	51.52%	57,125	\$ 1,003,829	10.95%	51.52%	58,628	
240	39907	Other Tang. Property - PC Software	\$ 190,247	-	190,246.97	10.95%	51.52%	10,732	\$ 190,247	10.95%	51.52%	10,732	
241	39908	Other Tang. Property - Mainframe S/W	\$ 90,927,931	-	90,927,931.24	10.95%	51.52%	5,129,443	\$ 90,401,789	10.95%	51.52%	5,099,762	
242	39910	CKV-Other Tangible Property	\$ 339,658	-	339,657.73	100.00%	2.32%	7,875	\$ 339,658	100.00%	2.32%	7,875	
243	39916	CKV-Oth Tang Prop-PC Hardware	\$ 309,715	-	309,715.20	100.00%	2.32%	7,181	\$ 274,366	100.00%	2.32%	6,361	
244	39917	CKV-Oth Tang Prop-PC Software	\$ 103,892	-	103,891.78	100.00%	2.32%	2,409	\$ 103,892	100.00%	2.32%	2,409	
245	39918	CKV-Oth Tang Prop-App	\$ 20,560	-	20,560.16	100.00%	2.32%	477	\$ 20,560	100.00%	2.32%	477	
246	39924	Oth Tang Prop - Gen.	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-	
247													
248		Total General Plant (Div 12)	\$ 145,284,513	\$ -	\$ 145,284,513			\$ 7,638,858	\$ 144,623,903			\$ 7,604,789	
249													
250		CWIP With out AFUDC	\$ 3,983,794	\$ -	\$ 3,983,794	10.95%	51.52%	\$ 224,734	\$ 3,282,348	10.95%	51.52%	\$ 185,164	
251													
252		Total Plant (Div 009, 091, 002, 012)	\$ 1,013,926,194	\$ -	\$ 1,013,926,194			\$ 671,307,963	\$ 965,402,683			\$ 632,311,805	
253													
254		Total CWIP Without AFUDC (Div 009, 091, 002, 012)	\$ 56,598,085	\$ -	\$ 56,598,085			\$ 39,130,198	\$ 50,973,647			\$ 36,163,305	

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 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

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 Schedule B-2 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
Kentucky Direct (Division 009)												
1		<u>Intangible Plant</u>										
2	30100	Organization	\$ 8,330	\$ -	\$ 8,329.72	100%	100%	\$ 8,330	\$ 8,330	100%	100%	\$ 8,329.72
3	30200	Franchises & Consents	\$ 119,853	-	119,853	100%	100%	119,853	\$ 119,853	100%	100%	119,853
4												
5		Total Intangible Plant	\$ 128,182	\$ -	\$ 128,182			\$ 128,182	\$ 128,182			\$ 128,182
6												
7		<u>Natural Gas Production Plant</u>										
8	32540	Rights of Ways	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
9	33202	Tributary Lines	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
11												
12		Total Natural Gas Production Plant	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -
13												
14		<u>Storage Plant</u>										
15	35010	Land	\$ 261,127	\$ -	\$ 261,126.69	100%	100%	\$ 261,126.69	\$ 261,127	100%	100%	\$ 261,126.69
16	35020	Rights of Way	\$ 4,682	-	4,682	100%	100%	4,682	\$ 4,682	100%	100%	4,682
17	35100	Structures and Improvements	\$ 17,916	-	17,916	100%	100%	17,916	\$ 17,916	100%	100%	17,916
18	35102	Compression Station Equipment	\$ 153,261	-	153,261	100%	100%	153,261	\$ 153,261	100%	100%	153,261
19	35103	Meas. & Reg. Sta. Structures	\$ 23,138	-	23,138	100%	100%	23,138	\$ 23,138	100%	100%	23,138
20	35104	Other Structures	\$ 137,443	-	137,443	100%	100%	137,443	\$ 137,443	100%	100%	137,443
21	35200	Wells \ Rights of Way	\$ 8,346,911	-	8,346,911	100%	100%	8,346,911	\$ 8,348,396	100%	100%	8,348,396
22	35201	Well Construction	\$ 1,699,999	-	1,699,999	100%	100%	1,699,999	\$ 1,699,999	100%	100%	1,699,999
23	35202	Well Equipment	\$ 449,309	-	449,309	100%	100%	449,309	\$ 449,309	100%	100%	449,309
24	35203	Cushion Gas	\$ 1,694,833	-	1,694,833	100%	100%	1,694,833	\$ 1,694,833	100%	100%	1,694,833
25	35210	Leaseholds	\$ 178,530	-	178,530	100%	100%	178,530	\$ 178,530	100%	100%	178,530
26	35211	Storage Rights	\$ 54,614	-	54,614	100%	100%	54,614	\$ 54,614	100%	100%	54,614
27	35301	Field Lines	\$ 175,350	-	175,350	100%	100%	175,350	\$ 175,350	100%	100%	175,350
28	35302	Tributary Lines	\$ 209,319	-	209,319	100%	100%	209,319	\$ 209,319	100%	100%	209,319
29	35400	Compressor Station Equipment	\$ 923,446	-	923,446	100%	100%	923,446	\$ 923,446	100%	100%	923,446
30	35500	Meas & Reg. Equipment	\$ 273,084	-	273,084	100%	100%	273,084	\$ 273,084	100%	100%	273,084
31	35600	Purification Equipment	\$ 414,663	-	414,663	100%	100%	414,663	\$ 414,663	100%	100%	414,663
32												
33		Total Storage Plant	\$ 15,017,626	\$ -	\$ 15,017,626			\$ 15,017,626	\$ 15,019,110			\$ 15,019,110

Almos Energy Corporation, Kentucky/Mid-States Division
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Data: _____ Base Period Forecasted Period
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 Schedule B-2 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
34												
35		<u>Transmission Plant</u>										
36	36510	Land	\$ 26,970	\$ -	\$ 26,970.37	100%	100%	\$ 26,970	\$ 26,970	100%	\$ 26,970.37	
37	36520	Rights of Way	\$ 867,772	-	867,772	100%	100%	\$ 867,772	\$ 867,772	100%	\$ 867,772	
38	36602	Structures & Improvements	\$ 49,002	-	49,002	100%	100%	\$ 49,002	\$ 49,002	100%	\$ 49,002	
39	36603	Other Structures	\$ 60,826	-	60,826	100%	100%	\$ 60,826	\$ 60,826	100%	\$ 60,826	
40	36700	Mains Cathodic Protection	\$ 139,638	-	139,638	100%	100%	\$ 139,638	\$ 139,638	100%	\$ 139,638	
41	36701	Mains - Steel	\$ 26,859,142	-	26,859,142	100%	100%	\$ 26,859,142	\$ 27,047,831	100%	\$ 27,047,831	
42	36703	Mains - Anodes	\$ -	-	-	100%	100%	\$ -	\$ -	100%	\$ -	
43	36900	Meas. & Reg. Equipment	\$ 731,467	-	731,467	100%	100%	\$ 731,467	\$ 731,467	100%	\$ 731,467	
44	36901	Meas. & Reg. Equipment	\$ 2,269,556	-	2,269,556	100%	100%	\$ 2,269,556	\$ 2,269,556	100%	\$ 2,269,556	
45												
46		Total Transmission Plant	\$ 31,004,373	\$ -	\$ 31,004,373			\$ 31,004,373	\$ 31,193,061		\$ 31,193,061	
47												
48		<u>Distribution Plant</u>										
49	37400	Land & Land Rights	\$ 531,167	\$ -	\$ 531,166.79	100%	100%	\$ 531,167	\$ 531,167	100%	\$ 531,166.79	
50	37401	Land	\$ 37,326	-	37,326	100%	100%	\$ 37,326	\$ 37,326	100%	\$ 37,326	
51	37402	Land Rights	\$ 3,952,286	-	3,952,286	100%	100%	\$ 3,952,286	\$ 3,645,749	100%	\$ 3,645,749	
52	37403	Land Other	\$ 2,784	-	2,784	100%	100%	\$ 2,784	\$ 2,784	100%	\$ 2,784	
53	37500	Structures & Improvements	\$ 336,168	-	336,168	100%	100%	\$ 336,168	\$ 336,168	100%	\$ 336,168	
54	37501	Structures & Improvements T.B.	\$ 99,818	-	99,818	100%	100%	\$ 99,818	\$ 99,818	100%	\$ 99,818	
55	37502	Land Rights	\$ 46,264	-	46,264	100%	100%	\$ 46,264	\$ 46,264	100%	\$ 46,264	
56	37503	Improvements	\$ 4,005	-	4,005	100%	100%	\$ 4,005	\$ 4,005	100%	\$ 4,005	
57	37600	Mains Cathodic Protection	\$ 20,494,641	-	20,494,641	100%	100%	\$ 20,494,641	\$ 20,611,541	100%	\$ 20,611,541	
58	37601	Mains - Steel	\$ 185,677,813	-	185,677,813	100%	100%	\$ 185,677,813	\$ 176,025,498	100%	\$ 176,025,498	
59	37602	Mains - Plastic	\$ 142,406,509	-	142,406,509	100%	100%	\$ 142,406,509	\$ 133,261,910	100%	\$ 133,261,910	
60	37603	Mains - Anodes	\$ -	-	-	100%	100%	\$ -	\$ -	100%	\$ -	
61	37604	Mains - Leak Clamps	\$ -	-	-	100%	100%	\$ -	\$ -	100%	\$ -	
62	37800	Meas & Reg. Sta. Equip - General	\$ 35,505,787	-	35,505,787	100%	100%	\$ 35,505,787	\$ 29,911,913	100%	\$ 29,911,913	
63	37900	Meas & Reg. Sta. Equip - City Gate	\$ 5,504,545	-	5,504,545	100%	100%	\$ 5,504,545	\$ 5,126,032	100%	\$ 5,126,032	
64	37905	Meas & Reg. Sta. Equipment T.b.	\$ 1,652,259	-	1,652,259	100%	100%	\$ 1,652,259	\$ 1,652,259	100%	\$ 1,652,259	
65	38000	Services	\$ 159,839,172	-	159,839,172	100%	100%	\$ 159,839,172	\$ 150,274,437	100%	\$ 150,274,437	
66	38100	Meters	\$ 40,873,233	-	40,873,233	100%	100%	\$ 40,873,233	\$ 38,722,015	100%	\$ 38,722,015	
67	38200	Meter Installaitons	\$ 57,594,641	-	57,594,641	100%	100%	\$ 57,594,641	\$ 57,067,155	100%	\$ 57,067,155	
68	38300	House Regulators	\$ 13,379,914	-	13,379,914	100%	100%	\$ 13,379,914	\$ 12,779,948	100%	\$ 12,779,948	
69	38400	House Reg. Installations	\$ 268,060	-	268,060	100%	100%	\$ 268,060	\$ 252,587	100%	\$ 252,587	
70	38500	Ind. Meas. & Reg. Sta. Equipment	\$ 5,262,616	-	5,262,616	100%	100%	\$ 5,262,616	\$ 5,241,043	100%	\$ 5,241,043	
71												
72		Total Distribution Plant	\$ 673,469,008	\$ -	\$ 673,469,008			\$ 673,469,008	\$ 635,629,619		\$ 635,629,619	

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Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020		Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			Ending Balance	Adjustments								
73												
74		General Plant										
75	38900	Land & Land Rights	\$ 1,211,697	\$ -	\$ 1,211,697.30	100%	100%	\$ 1,211,697	\$ 1,211,697	100%	100%	\$ 1,211,697.30
76	39000	Structures & Improvements	\$ 7,718,850	-	7,718,850	100%	100%	\$ 7,718,850	\$ 7,595,600	100%	100%	7,595,600
77	39002	Structures-Brick	\$ 173,115	-	173,115	100%	100%	\$ 173,115	\$ 173,115	100%	100%	173,115
78	39003	Improvements	\$ 709,199	-	709,199	100%	100%	\$ 709,199	\$ 709,199	100%	100%	709,199
79	39004	Air Conditioning Equipment	\$ 12,955	-	12,955	100%	100%	\$ 12,955	\$ 12,955	100%	100%	12,955
80	39009	Improvement to leased Premises	\$ 1,246,194	-	1,246,194	100%	100%	\$ 1,246,194	\$ 1,246,194	100%	100%	1,246,194
81	39100	Office Furniture & Equipment	\$ 1,903,399	-	1,903,399	100%	100%	\$ 1,903,399	\$ 1,866,038	100%	100%	1,866,038
82	39103	Office Machines	\$ -	-	-	100%	100%	\$ -	\$ -	100%	100%	-
83	39200	Transportation Equipment	\$ 220,987	-	220,987	100%	100%	\$ 220,987	\$ 220,987	100%	100%	220,987
84	39202	Trailers	\$ -	-	-	100%	100%	\$ -	\$ -	100%	100%	-
85	39400	Tools, Shop & Garage Equipment	\$ 4,340,624	-	4,340,624	100%	100%	\$ 4,340,624	\$ 4,078,361	100%	100%	4,078,361
86	39603	Ditchers	\$ 39,610	-	39,610	100%	100%	\$ 39,610	\$ 39,610	100%	100%	39,610
87	39604	Backhoes	\$ 62,747	-	62,747	100%	100%	\$ 62,747	\$ 62,747	100%	100%	62,747
88	39605	Welders	\$ 19,427	-	19,427	100%	100%	\$ 19,427	\$ 19,427	100%	100%	19,427
89	39700	Communication Equipment	\$ 524,257	-	524,257	100%	100%	\$ 524,257	\$ 524,257	100%	100%	524,257
90	39701	Communication Equip.	\$ -	-	-	100%	100%	\$ -	\$ -	100%	100%	-
91	39702	Communication Equip.	\$ -	-	-	100%	100%	\$ -	\$ -	100%	100%	-
92	39705	Communication Equip. - Telemetry	\$ -	-	-	100%	100%	\$ -	\$ -	100%	100%	-
93	39800	Miscellaneous Equipment	\$ 3,891,771	-	3,891,771	100%	100%	\$ 3,891,771	\$ 3,891,771	100%	100%	3,891,771
94	39901	Servers Hardware	\$ 14,390	-	14,390	100%	100%	\$ 14,390	\$ 14,390	100%	100%	14,390
95	39902	Servers Software	\$ -	-	-	100%	100%	\$ -	\$ -	100%	100%	-
96	39903	Other Tangible Property - Network - H/W	\$ 134,599	-	134,599	100%	100%	\$ 134,599	\$ 134,599	100%	100%	134,599
97	39906	Other Tang. Property - PC Hardware	\$ 268,136	-	268,136	100%	100%	\$ 268,136	\$ 461,888	100%	100%	461,888
98	39907	Other Tang. Property - PC Software	\$ -	-	-	100%	100%	\$ -	\$ -	100%	100%	-
99	39908	Other Tang. Property - Mainframe S/W	\$ 123,515	-	123,515	100%	100%	\$ 123,515	\$ 123,515	100%	100%	123,515
100												
101		Total General Plant	\$ 22,615,472	\$ -	\$ 22,615,472			\$ 22,615,472	\$ 22,386,350			\$ 22,386,350
102												
103		Total Plant (Div 9)	\$ 742,234,661	\$ -	\$ 742,234,661			\$ 742,234,661	\$ 704,356,323			\$ 704,356,323
104												
105		CWIP With out AFUDC	\$ 38,154,809	\$ -	\$ 38,154,809	100%	100%	\$ 38,154,809	\$ 38,154,809	100%	100%	\$ 38,154,809

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Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
106												
107		Kentucky-Mid-States General Office (Division 091)										
108												
109		<u>Intangible Plant</u>										
110	30100	Organization	\$ 185,309	\$ -	\$ 185,309	100%	49.78%	\$ 92,247	\$ 185,309	100%	\$ 92,247	
111	30300	Misc Intangible Plant	\$ 1,109,552	-	1,109,552	100%	49.78%	552,335	\$ 1,109,552	100%	552,335	
112												
113		Total Intangible Plant	\$ 1,294,861	\$ -	\$ 1,294,861			\$ 644,582	\$ 1,294,861		\$ 644,582	
114												
115		<u>Distribution Plant</u>										
116	37400	Land & Land Rights	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	\$ -	
117	35010	Land	-	-	-	100%	49.78%	-	-	100%	-	
118	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	-	
119	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	-	
120	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	-	
121	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	-	
122	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	-	
123	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	-	
124	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	-	
125	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	-	
126	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	-	
127	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	-	
128	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	-	
129	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	-	
130	38000	Services	-	-	-	100%	49.78%	-	-	100%	-	
131	38100	Meters	-	-	-	100%	49.78%	-	-	100%	-	
132	38200	Meter Installaitons	-	-	-	100%	49.78%	-	-	100%	-	
133	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	-	
134	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	-	
135	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	-	
136	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	-	
137												
138		Total Distribution Plant	\$ -	\$ -	\$ -			\$ -	\$ -		\$ -	

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Plant in Service by Accounts and SubAccounts
 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised
 Workpaper Reference No(s): _____

FR 16(8)(b)2
 Schedule B-2 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020			Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			Ending Balance	Adjustments	Adjusted Balance							
139												
140		General Plant **										
141	39001	Structures Frame	\$ 179,339	\$ -	\$ 179,339	100%	49.78%	\$ 89,275	\$ 179,339	100%	49.78%	\$ 89,275
142	39004	Air Conditioning Equipment	\$ 15,384	-	15,384	100%	49.78%	7,658	\$ 15,384	100%	49.78%	7,658
143	39009	Improvement to leased Premises	\$ 38,834	-	38,834	100%	49.78%	19,332	\$ 38,834	100%	49.78%	19,332
144	39100	Office Furniture & Equipment	\$ 38,609	-	38,609	100%	49.78%	19,220	\$ 38,609	100%	49.78%	19,220
145	39101	Office Furniture And	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
146	39103	Office Machines	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
147	39200	Transportation Equipment	\$ 27,285	-	27,285	100%	49.78%	13,582	\$ 27,285	100%	49.78%	13,582
148	39300	Stores Equipment	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
149	39400	Tools, Shop & Garage Equipment	\$ 175,867	-	175,867	100%	49.78%	87,547	\$ 175,867	100%	49.78%	87,547
150	39600	Power Operated Equipment	\$ 20,516	-	20,516	100%	49.78%	10,213	\$ 20,516	100%	49.78%	10,213
151	39700	Communication Equipment	\$ 37,541	-	37,541	100%	49.78%	18,688	\$ 37,541	100%	49.78%	18,688
152	39701	Communication Equip.	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
153	39702	Communication Equip.	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
154	39800	Miscellaneous Equipment	\$ 814,167	-	814,167	100%	49.78%	405,292	\$ 814,167	100%	49.78%	405,292
155	39900	Other Tangible Property	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
156	39901	Other Tangible Property - Servers - H/W	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
157	39902	Other Tangible Property - Servers - S/W	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
158	39903	Other Tangible Property - Network - H/W	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
159	39906	Other Tang. Property - PC Hardware	\$ 70,178	-	70,178	100%	49.78%	34,934	\$ 70,178	100%	49.78%	34,934
160	39907	Other Tang. Property - PC Software	\$ 197,253	-	197,253	100%	49.78%	98,192	\$ 165,304	100%	49.78%	82,288
161	39908	Other Tang. Property - Mainframe S/W	\$ 828,509	-	828,509	100%	49.78%	412,432	\$ 828,509	100%	49.78%	412,432
162												
163		Total General Plant	\$ 2,443,481	\$ -	\$ 2,443,481			\$ 1,216,365	\$ 2,411,532			\$ 1,200,461
164												
165		Total Plant (Div 91)	\$ 3,738,342	\$ -	\$ 3,738,342			\$ 1,860,947	\$ 3,706,393			\$ 1,845,043
166												
167		CWIP With out AFUDC	\$ 4,642	\$ -	\$ 4,642	100%	49.78%	\$ 2,311	\$ 4,642	100%	49.78%	\$ 2,311

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Plant in Service by Accounts and SubAccounts
 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

FR 16(8)(b)2
 Schedule B-2 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
168												
169		Shared Services General Office (Division 002)										
170												
171		General Plant										
172	39000	Structures & Improvements	\$ 1,906,438	\$ -	\$ 1,906,438	10.40%	49.78%	\$ 98,699	\$ 1,779,523	10.40%	49.78%	\$ 92,128
173	39005	G-Structures & Improvements	\$ 9,187,142	-	9,187,142	100.00%	1.57%	144,296	\$ 9,187,142	100.00%	1.57%	144,296
174	39009	Improvement to leased Premises	\$ 9,316,001	-	9,316,001	10.40%	49.78%	482,301	\$ 9,316,001	10.40%	49.78%	482,301
175	39020	Struct & Improv AEAM	\$ -	-	-	100.00%	6.36%	-	\$ -	100.00%	6.36%	-
176	39029	Improv-Leased AEAM	\$ 22,337	-	22,337	100.00%	6.36%	1,421	\$ 16,610	100.00%	6.36%	1,057
177	39100	Office Furniture & Equipment	\$ 5,191,908	-	5,191,908	10.40%	49.78%	268,791	\$ 5,173,167	10.40%	49.78%	267,821
178	39102	Remittance Processing Equip	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
179	39103	Office Machines	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
180	39104	G-Office Furniture & Equip.	\$ 178,594	-	178,594	100.00%	1.57%	2,805	\$ 149,149	100.00%	1.57%	2,343
181	39120	Off Furn & Equip-AEAM	\$ 263,338	-	263,338	100.00%	6.36%	16,754	\$ 263,338	100.00%	6.36%	16,754
182	39200	Transportation Equipment	\$ 7,125	-	7,125	10.40%	49.78%	369	\$ 7,125	10.40%	49.78%	369
183	39300	Stores Equipment	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
184	39400	Tools, Shop & Garage Equipment	\$ 76,071	-	76,071	10.40%	49.78%	3,938	\$ 76,071	10.40%	49.78%	3,938
185	39420	Tools And Garage-AEAM	\$ -	-	-	100.00%	6.36%	-	\$ -	100.00%	6.36%	-
186	39500	Laboratory Equipment	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
187	39700	Communication Equipment	\$ 1,039,344	-	1,039,344	10.40%	49.78%	53,808	\$ 1,039,344	10.40%	49.78%	53,808
188	39720	Commun Equip AEAM	\$ 8,824	-	8,824	100.00%	6.36%	561	\$ 8,824	100.00%	6.36%	561
189	39800	Miscellaneous Equipment	\$ 136,510	-	136,510	10.40%	49.78%	7,067	\$ 136,510	10.40%	49.78%	7,067
190	39820	Misc Equip - AEAM	\$ 7,388	-	7,388	100.00%	6.36%	470	\$ 7,388	100.00%	6.36%	470
191	39900	Other Tangible Property	\$ 161,644	-	161,644	10.40%	49.78%	8,369	\$ 161,815	10.40%	49.78%	8,377
192	39901	Other Tangible Property - Servers - H/W	\$ 44,862,780	-	44,862,780	10.40%	49.78%	2,322,600	\$ 42,848,023	10.40%	49.78%	2,218,294
193	39902	Other Tangible Property - Servers - S/W	\$ 28,287,161	-	28,287,161	10.40%	49.78%	1,464,460	\$ 25,907,655	10.40%	49.78%	1,341,270
194	39903	Other Tangible Property - Network - H/W	\$ 10,165,830	-	10,165,830	10.40%	49.78%	526,297	\$ 8,469,471	10.40%	49.78%	438,475
195	39904	Other Tang. Property - CPU	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
196	39905	Other Tangible Property - MF - Hardware	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
197	39906	Other Tang. Property - PC Hardware	\$ 2,681,536	-	2,681,536	10.40%	49.78%	138,826	\$ 2,624,240	10.40%	49.78%	135,860
198	39907	Other Tang. Property - PC Software	\$ 1,731,492	-	1,731,492	10.40%	49.78%	89,641	\$ 1,665,291	10.40%	49.78%	86,214
199	39908	Other Tang. Property - Mainframe S/W	\$ 77,600,897	-	77,600,897	10.40%	49.78%	4,017,492	\$ 74,938,243	10.40%	49.78%	3,879,643
200	39909	Other Tang. Property - Application Software	\$ 39,252	-	39,252	10.40%	49.78%	2,032	\$ 39,252	10.40%	49.78%	2,032
201	39921	Servers-Hardware-AEAM	\$ 1,628,900	-	1,628,900	100.00%	6.36%	103,635	\$ 1,628,900	100.00%	6.36%	103,635
202	39922	Servers-Software-AEAM	\$ 961,256	-	961,256	100.00%	6.36%	61,157	\$ 961,256	100.00%	6.36%	61,157
203	39923	Network Hardware-AEAM	\$ 60,170	-	60,170	100.00%	6.36%	3,828	\$ 60,170	100.00%	6.36%	3,828
204	39924	39924-Oth Tang Prop - Gen.	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
205	39926	Pc Hardware-AEAM	\$ 314,379	-	314,379	100.00%	6.36%	20,002	\$ 314,379	100.00%	6.36%	20,002
206	39928	Application SW-AEAM	\$ 20,791,579	-	20,791,579	100.00%	6.36%	1,322,811	\$ 20,761,925	100.00%	6.36%	1,320,924
207	39931	ALGN-Servers-Hardware	\$ 297,267	-	297,267	100.00%	0.00%	-	\$ 297,267	100.00%	0.00%	-
208	39932	ALGN-Servers-Software	\$ 345,730	-	345,730	100.00%	0.00%	-	\$ 345,730	100.00%	0.00%	-
209	39938	ALGN-Application SW	\$ 21,018,403	-	21,018,403	100.00%	0.00%	-	\$ 20,120,780	100.00%	0.00%	-
210												
211		Total General Plant (Div 2)	\$ 238,289,298	\$ -	\$ 238,289,298			\$ 11,162,431	\$ 228,304,590			\$ 10,692,624
212												
213		CWIP With out AFUDC	\$ 14,454,841	\$ -	\$ 14,454,841	10.40%	49.78%	\$ 748,344	\$ 14,454,841	10.40%	49.78%	\$ 748,344

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Plant in Service by Accounts and SubAccounts
 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

FR 16(8)(b)2
 Schedule B-2 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020			Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
			Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)							
214												
215		Shared Services Customer Support (Division 012)										
216												
217		General Plant										
218	38900	Land	\$ 2,874,240	\$ -	\$ 2,874,240	10.95%	51.52%	\$ 162,142	\$ 2,874,240	10.95%	51.52%	\$ 162,142
219	38910	CKV-Land & Land Rights	\$ 1,886,443	-	1,886,442.92	100.00%	2.32%	43,739	\$ 1,886,443	100.00%	2.32%	43,739
220	39000	Structures & Improvements	\$ 12,669,003	-	12,669,002.61	10.95%	51.52%	714,686	\$ 12,669,003	10.95%	51.52%	714,686
221	39009	Improvement to leased Premises	\$ 2,820,614	-	2,820,613.55	10.95%	51.52%	159,117	\$ 2,820,614	10.95%	51.52%	159,117
222	39010	CKV-Structures & Improvements	\$ 12,305,840	-	12,305,840.00	100.00%	2.32%	285,325	\$ 12,305,840	100.00%	2.32%	285,325
223	39100	Office Furniture & Equipment	\$ 2,601,912	-	2,601,911.94	10.95%	51.52%	146,780	\$ 2,530,129	10.95%	51.52%	142,730
224	39101	Office Furniture And	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
225	39102	Remittance Processing	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
226	39103	39103-Office Furn. - Copiers & Type	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
227	39110	CKV-Office Furn & Eq	\$ 579,053	-	579,053.49	100.00%	2.32%	13,426	\$ 515,907	100.00%	2.32%	11,962
228	39210	CKV-Transportation Eq	\$ 96,290	-	96,290.22	100.00%	2.32%	2,233	\$ 96,290	100.00%	2.32%	2,233
229	39410	CKV-Tools Shop Garage	\$ 703,898	-	703,898.10	100.00%	2.32%	16,321	\$ 607,804	100.00%	2.32%	14,093
230	39510	CKV-Laboratory Equip	\$ 23,632	-	23,632.07	100.00%	2.32%	548	\$ 23,632	100.00%	2.32%	548
231	39700	Communication Equipment	\$ 1,913,117	-	1,913,117.11	10.95%	51.52%	107,923	\$ 1,913,117	10.95%	51.52%	107,923
232	39710	CKV-Communication Equipment	\$ 291,501	-	291,500.62	100.00%	2.32%	6,759	\$ 291,501	100.00%	2.32%	6,759
233	39800	Miscellaneous Equipment	\$ 70,016	-	70,015.66	10.95%	51.52%	3,950	\$ 70,016	10.95%	51.52%	3,950
234	39810	CKV-Misc Equipment	\$ 509,283	-	509,282.85	100.00%	2.32%	11,808	\$ 509,283	100.00%	2.32%	11,808
235	39900	Other Tangible Property	\$ 629,166	-	629,166.46	10.95%	51.52%	35,493	\$ 629,166	10.95%	51.52%	35,493
236	39901	Other Tangible Property - Servers - H/W	\$ 10,343,249	-	10,343,248.64	10.95%	51.52%	583,485	\$ 10,343,249	10.95%	51.52%	583,485
237	39902	Other Tangible Property - Servers - S/W	\$ 2,023,936	-	2,023,936.45	10.95%	51.52%	114,175	\$ 2,023,936	10.95%	51.52%	114,175
238	39903	Other Tangible Property - Network - H/W	\$ 629,226	-	629,225.62	10.95%	51.52%	35,496	\$ 629,226	10.95%	51.52%	35,496
239	39906	Other Tang. Property - PC Hardware	\$ 1,068,705	-	1,068,704.82	10.95%	51.52%	60,288	\$ 1,046,768	10.95%	51.52%	59,050
240	39907	Other Tang. Property - PC Software	\$ 190,247	-	190,246.97	10.95%	51.52%	10,732	\$ 190,247	10.95%	51.52%	10,732
241	39908	Other Tang. Property - Mainframe S/W	\$ 94,401,847	-	94,401,846.65	10.95%	51.52%	5,325,414	\$ 93,042,823	10.95%	51.52%	5,248,748
242	39910	CKV-Other Tangible Property	\$ 339,658	-	339,657.73	100.00%	2.32%	7,875	\$ 339,658	100.00%	2.32%	7,875
243	39916	CKV-Oth Tang Prop-PC Hardware	\$ 539,317	-	539,316.64	100.00%	2.32%	12,505	\$ 449,495	100.00%	2.32%	10,422
244	39917	CKV-Oth Tang Prop-PC Software	\$ 103,892	-	103,891.78	100.00%	2.32%	2,409	\$ 103,892	100.00%	2.32%	2,409
245	39918	CKV-Oth Tang Prop-App	\$ 20,560	-	20,560.16	100.00%	2.32%	477	\$ 20,560	100.00%	2.32%	477
246	39924	Oth Tang Prop - Gen.	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
247												
248		Total General Plant (Div 12)	\$ 149,634,643	\$ -	\$ 149,634,643			\$ 7,863,105	\$ 147,932,637			\$ 7,775,377
249												
250		CWIP With out AFUDC	\$ 3,983,794	\$ -	\$ 3,983,794	10.95%	51.52%	\$ 224,734	\$ 3,983,794	10.95%	51.52%	\$ 224,734
251												
252		Total Plant (Div 009, 091, 002, 012)	\$ 1,133,896,943	\$ -	\$ 1,133,896,943			\$ 763,121,143	\$ 1,084,300,143			\$ 724,669,367
253												
254		Total CWIP Without AFUDC (Div 009, 091, 002, 012)	\$ 56,598,085	\$ -	\$ 56,598,085			\$ 39,130,198	\$ 56,598,085			\$ 39,130,198
255												

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Jurisdictional Accumulated Depreciation & Amortization
 as of December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(b)3
 Schedule B-3 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
Kentucky Direct (Division 009)												
1		<u>Intangible Plant</u>										
2	30100	Organization	\$ 8,330	\$ -	\$ 8,330	100%	100%	\$ 8,330	\$ 8,330	100%	100%	\$ 8,330
3	30200	Franchises & Consents	\$ 119,853	-	119,853	100%	100%	119,853	\$ 119,853	100%	100%	119,853
4												
5		Total Intangible Plant Reserves	\$ 128,182	\$ -	\$ 128,182			\$ 128,182	\$ 128,182			\$ 128,182
6												
7		<u>Natural Gas Production Plant</u>										
8	32540	Rights of Ways	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
9	33202	Tributary Lines	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
11												
12		Total Natural Gas Production Plant Reser.	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -
13												
14		<u>Storage Plant</u>										
15	35010	Land	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
16	35020	Rights of Way	\$ 4,439	-	4,439	100%	100%	4,439	\$ 4,434	100%	100%	4,434
17	35100	Structures and Improvements	\$ 6,065	-	6,065	100%	100%	6,065	\$ 5,915	100%	100%	5,915
18	35102	Compression Station Equipment	\$ 112,304	-	112,304	100%	100%	112,304	\$ 111,338	100%	100%	111,338
19	35103	Meas. & Reg. Sta. Structures	\$ 20,326	-	20,326	100%	100%	20,326	\$ 20,219	100%	100%	20,219
20	35104	Other Structures	\$ 98,811	-	98,811	100%	100%	98,811	\$ 97,917	100%	100%	97,917
21	35200	Wells \ Rights of Way	\$ 1,069,976	-	1,069,976	100%	100%	1,069,976	\$ 989,384	100%	100%	989,384
22	35201	Well Construction	\$ 1,400,173	-	1,400,173	100%	100%	1,400,173	\$ 1,387,338	100%	100%	1,387,338
23	35202	Well Equipment	\$ 450,595	-	450,595	100%	100%	450,595	\$ 450,033	100%	100%	450,033
24	35203	Cushion Gas	\$ 739,273	-	739,273	100%	100%	739,273	\$ 724,019	100%	100%	724,019
25	35210	Leaseholds	\$ 167,629	-	167,629	100%	100%	167,629	\$ 167,316	100%	100%	167,316
26	35211	Storage Rights	\$ 43,595	-	43,595	100%	100%	43,595	\$ 43,355	100%	100%	43,355
27	35301	Field Lines	\$ (89,549)	-	(89,549)	100%	100%	(89,549)	\$ (90,259)	100%	100%	(90,259)
28	35302	Tributary Lines	\$ 187,800	-	187,800	100%	100%	187,800	\$ 186,953	100%	100%	186,953
29	35400	Compressor Station Equipment	\$ 485,848	-	485,848	100%	100%	485,848	\$ 477,537	100%	100%	477,537
30	35500	Meas & Reg. Equipment	\$ 199,915	-	199,915	100%	100%	199,915	\$ 199,219	100%	100%	199,219
31	35600	Purification Equipment	\$ 185,567	-	185,567	100%	100%	185,567	\$ 181,317	100%	100%	181,317
32												
33		Total Storage Plant Reserves	\$ 5,082,767	\$ -	\$ 5,082,767			\$ 5,082,767	\$ 4,956,035			\$ 4,956,035

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Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
34												
35		<u>Transmission Plant</u>										
36	36510	Land	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
37	36520	Rights of Way	\$ 420,654	-	\$ 420,654	100%	100%	\$ 420,654	\$ 414,884	100%	100%	\$ 414,884
38	36602	Structures & Improvements	\$ 16,316	-	\$ 16,316	100%	100%	\$ 16,316	\$ 15,879	100%	100%	\$ 15,879
39	36603	Other Structures	\$ 52,418	-	\$ 52,418	100%	100%	\$ 52,418	\$ 51,877	100%	100%	\$ 51,877
40	36700	Mains Cathodic Protection	\$ 93,890	-	\$ 93,890	100%	100%	\$ 93,890	\$ 90,399	100%	100%	\$ 90,399
41	36701	Mains - Steel	\$ 17,159,073	-	\$ 17,159,073	100%	100%	\$ 17,159,073	\$ 17,657,399	100%	100%	\$ 17,657,399
42	36703	Mains - Anodes	\$ -	-	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
43	36900	Meas. & Reg. Equipment	\$ 343,924	-	\$ 343,924	100%	100%	\$ 343,924	\$ 336,097	100%	100%	\$ 336,097
44	36901	Meas. & Reg. Equipment	\$ 1,744,633	-	\$ 1,744,633	100%	100%	\$ 1,744,633	\$ 1,720,349	100%	100%	\$ 1,720,349
45												
46		Total Production Plant - LPG Reserves	\$ 19,830,907	\$ -	\$ 19,830,907			\$ 19,830,907	\$ 20,286,883			\$ 20,286,883
47												
48		<u>Distribution Plant</u>										
49	37400	Land & Land Rights	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
50	37401	Land	\$ -	-	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
51	37402	Land Rights	\$ 198,946	-	\$ 198,946	100%	100%	\$ 198,946	\$ 177,257	100%	100%	\$ 177,257
52	37403	Land Other	\$ -	-	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
53	37500	Structures & Improvements	\$ 108,955	-	\$ 108,955	100%	100%	\$ 108,955	\$ 105,493	100%	100%	\$ 105,493
54	37501	Structures & Improvements T.B.	\$ 70,041	-	\$ 70,041	100%	100%	\$ 70,041	\$ 69,013	100%	100%	\$ 69,013
55	37502	Land Rights	\$ 34,747	-	\$ 34,747	100%	100%	\$ 34,747	\$ 34,271	100%	100%	\$ 34,271
56	37503	Improvements	\$ 1,864	-	\$ 1,864	100%	100%	\$ 1,864	\$ 1,822	100%	100%	\$ 1,822
57	37600	Mains Cathodic Protection	\$ 12,934,746	-	\$ 12,934,746	100%	100%	\$ 12,934,746	\$ 12,718,060	100%	100%	\$ 12,718,060
58	37601	Mains - Steel	\$ 31,297,268	-	\$ 31,297,268	100%	100%	\$ 31,297,268	\$ 30,218,245	100%	100%	\$ 30,218,245
59	37602	Mains - Plastic	\$ 16,911,814	-	\$ 16,911,814	100%	100%	\$ 16,911,814	\$ 15,883,553	100%	100%	\$ 15,883,553
60	37603	Mains - Anodes	\$ -	-	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
61	37604	Mains - Leak Clamps	\$ -	-	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
62	37800	Meas & Reg. Sta. Equip - General	\$ 2,295,802	-	\$ 2,295,802	100%	100%	\$ 2,295,802	\$ 2,040,538	100%	100%	\$ 2,040,538
63	37900	Meas & Reg. Sta. Equip - City Gate	\$ 910,422	-	\$ 910,422	100%	100%	\$ 910,422	\$ 874,828	100%	100%	\$ 874,828
64	37905	Meas & Reg. Sta. Equipment T.b.	\$ 1,002,918	-	\$ 1,002,918	100%	100%	\$ 1,002,918	\$ 980,670	100%	100%	\$ 980,670
65	38000	Services	\$ 32,934,303	-	\$ 32,934,303	100%	100%	\$ 32,934,303	\$ 35,036,562	100%	100%	\$ 35,036,562
66	38100	Meters	\$ 19,525,081	-	\$ 19,525,081	100%	100%	\$ 19,525,081	\$ 18,290,752	100%	100%	\$ 18,290,752
67	38200	Meter Installaitons	\$ 25,843,085	-	\$ 25,843,085	100%	100%	\$ 25,843,085	\$ 25,107,867	100%	100%	\$ 25,107,867
68	38300	House Regulators	\$ 3,972,540	-	\$ 3,972,540	100%	100%	\$ 3,972,540	\$ 3,793,935	100%	100%	\$ 3,793,935
69	38400	House Reg. Installations	\$ 88,697	-	\$ 88,697	100%	100%	\$ 88,697	\$ 86,114	100%	100%	\$ 86,114
70	38500	Ind. Meas. & Reg. Sta. Equipment	\$ 2,867,363	-	\$ 2,867,363	100%	100%	\$ 2,867,363	\$ 2,796,967	100%	100%	\$ 2,796,967
71												
72		Total Distribution Plant Reserves	\$ 150,998,591	\$ -	\$ 150,998,591			\$ 150,998,591	\$ 148,215,948			\$ 148,215,948

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73												
74		General Plant										
75	38900	38900-Land & Land Rights	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
76	39000	39000-Structures & Improvements	\$ 1,061,493	-	1,061,493	100%	100%	1,061,493	\$ 923,762	100%	100%	\$ 923,762
77	39002	39002-Structures - Brick	\$ 103,168	-	103,168	100%	100%	103,168	\$ 99,914	100%	100%	\$ 99,914
78	39003	39003-Improvements	\$ 274,645	-	274,645	100%	100%	274,645	\$ 261,312	100%	100%	\$ 261,312
79	39004	39004-Air Conditioning Equipment	\$ 4,562	-	4,562	100%	100%	4,562	\$ 4,319	100%	100%	\$ 4,319
80	39009	39009-Improv. to Leased Premises	\$ 1,248,110	-	1,248,110	100%	100%	1,248,110	\$ 1,194,303	100%	100%	\$ 1,194,303
81	39100	39100-Office Furniture & Equipment	\$ 1,067,725	-	1,067,725	100%	100%	1,067,725	\$ 994,844	100%	100%	\$ 994,844
82	39103	Office Machines	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
83	39200	39200-Transportation Equipment	\$ 99,733	-	99,733	100%	100%	99,733	\$ 83,004	100%	100%	\$ 83,004
84	39202	39202-WKG Trailers	\$ (2,529)	-	(2,529)	100%	100%	(2,529)	\$ (2,529)	100%	100%	\$ (2,529)
85	39400	39400-Tools, Shop, & Garage Equip.	\$ 1,125,068	-	1,125,068	100%	100%	1,125,068	\$ 1,009,735	100%	100%	\$ 1,009,735
86	39603	39603-Ditchers	\$ 39,655	-	39,655	100%	100%	39,655	\$ 37,158	100%	100%	\$ 37,158
87	39604	39604-Backhoes	\$ 62,818	-	62,818	100%	100%	62,818	\$ 58,840	100%	100%	\$ 58,840
88	39605	39605-Welders	\$ 19,141	-	19,141	100%	100%	19,141	\$ 17,250	100%	100%	\$ 17,250
89	39700	39700-Communication Equipment	\$ 242,784	-	242,784	100%	100%	242,784	\$ 222,774	100%	100%	\$ 222,774
90	39701	Communication Equip.	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
91	39702	Communication Equip.	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
92	39705	39705-Comm. Equip. - Telemetry	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
93	39800	39800-Miscellaneous Equipment	\$ 1,926,942	-	1,926,942	100%	100%	1,926,942	\$ 1,805,131	100%	100%	\$ 1,805,131
94	39901	Servers Hardware	\$ 5,282	-	5,282	100%	100%	5,282	\$ 4,531	100%	100%	\$ 4,531
95	39902	Servers Software	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	\$ 54,550	-	54,550	100%	100%	54,550	\$ 47,469	100%	100%	\$ 47,469
97	39906	39906-Oth Tang Prop - PC Hardware	\$ 355,562	-	355,562	100%	100%	355,562	\$ 487,081	100%	100%	\$ 487,081
98	39907	39907-Oth Tang Prop - PC Software	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	\$ 110,712	-	110,712	100%	100%	110,712	\$ 108,891	100%	100%	\$ 108,891
100		Retirement Work in Progress	\$ (6,374,709)	-	(6,374,709)	100%	100%	(6,374,709)	\$ (5,933,440)	100%	100%	\$ (5,933,440)
101		Retirement Work in Progress Recon	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
102		AR 15 general plant amortization	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
103												
104		Total General Plant Reserves	\$ 1,424,712	\$ -	\$ 1,424,712			\$ 1,424,712	\$ 1,424,347			\$ 1,424,347
105												
106		Total Depr Reserves (Div 9)	\$ 177,465,160	\$ -	\$ 177,465,160			\$ 177,465,160	\$ 175,011,396			\$ 175,011,396

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107												
108		Kentucky-Mid-States General Office (Division 091)										
109												
110		<u>Intangible Plant</u>										
111	30100	Organization	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	49.78%	\$ -
112	30300	Misc Intangible Plant	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	49.78%	\$ -
113												
114		Total Intangible Plant	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -
115												
116		<u>Distribution Plant</u>										
117	37400	Land & Land Rights	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	49.78%	\$ -
118	35010	Land	-	-	-	100%	49.78%	-	-	100%	49.78%	-
119	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
120	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	49.78%	-
121	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
122	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
123	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
124	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
125	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	49.78%	-
126	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	49.78%	-
127	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	49.78%	-
128	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	49.78%	-
129	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	49.78%	-
130	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
131	38000	Services	-	-	-	100%	49.78%	-	-	100%	49.78%	-
132	38100	Meters	-	-	-	100%	49.78%	-	-	100%	49.78%	-
133	38200	Meter Installaitons	-	-	-	100%	49.78%	-	-	100%	49.78%	-
134	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	49.78%	-
135	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	49.78%	-
136	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	49.78%	-
137	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	49.78%	-
138												
139		Total Distribution Plant	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -

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140												
141		General Plant										
142	39001	39001-Structures - Frame	\$ 102,169	-	\$ 102,169	100.00%	49.78%	50,860	\$ 99,766	100.00%	49.78%	\$ 49,663
143	39004	39004-Air Conditioning Equipment	\$ 9,379	-	9,379	100%	49.78%	4,669	\$ 8,815	100%	49.78%	4,388
144	39009	39009-Improv. to Leased Premises	\$ 38,834	-	38,834	100%	49.78%	19,332	\$ 38,834	100%	49.78%	19,332
145	39100	39100-Office Furniture & Equipment	\$ 38,609	-	38,609	100%	49.78%	19,220	\$ 39,253	100%	49.78%	19,540
146	39101	Office Furniture And	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
147	39103	Office Machines	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
148	39200	39200-Trans Equip- Group	\$ 16,534	-	16,534	100%	49.78%	8,231	\$ 15,624	100%	49.78%	7,778
149	39300	Stores Equipment	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
150	39400	39400-Tools, Shop, & Garage Equip.	\$ 137,901	-	137,901	100%	49.78%	68,647	\$ 134,911	100%	49.78%	67,159
151	39600	39600-Power Operated Equipment	\$ 7,955	-	7,955	100%	49.78%	3,960	\$ 7,508	100%	49.78%	3,737
152	39700	39700-Communication Equipment	\$ (7,962)	-	(7,962)	100%	49.78%	(3,964)	\$ (8,550)	100%	49.78%	(4,256)
153	39701	Communication Equip.	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
154	39702	Communication Equip.	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
155	39800	39800-Miscellaneous Equipment	\$ 702,501	-	702,501	100%	49.78%	349,705	\$ 688,375	100%	49.78%	342,673
156	39900	39900-Other Tangible Property	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
157	39901	39901-Oth Tang Prop - Servers - H/W	\$ (34,766)	-	(34,766)	100%	49.78%	(17,306)	\$ (34,766)	100%	49.78%	(17,306)
158	39902	39902-Oth Tang Prop - Servers - S/W	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
159	39903	39903-Oth Tang Prop - Network - H/W	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
160	39906	39906-Oth Tang Prop - PC Hardware	\$ 70,196	-	70,196	100%	49.78%	34,944	\$ 70,196	100%	49.78%	34,944
161	39907	39907-Oth Tang Prop - PC Software	\$ 28,248	-	28,248	100%	49.78%	14,062	\$ 23,128	100%	49.78%	11,513
162	39908	39908-Oth Tang Prop - Appl Software	\$ 828,509	-	828,509	100%	49.78%	412,432	\$ 828,509	100%	49.78%	412,432
163		Retirement Work in Progress	\$ 52,517	-	-	100%	49.78%	-	\$ 52,517	100%	49.78%	26,143
164												
165		Total General Plant	\$ 1,990,625	\$ -	\$ 1,938,107			\$ 964,790	\$ 1,964,120			\$ 977,739
166												
167		Total Depr Reserves (Div 91)	\$ 1,990,625	\$ -	\$ 1,938,107			\$ 964,790	\$ 1,964,120			\$ 977,739

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168												
169		Shared Services General Office (Division 002)										
170												
171		<u>General Plant</u>										
172	39000	39000-Structures & Improvements	\$ 516,339	-	\$ 516,339	10.40%	49.78%	26,731	\$ 493,350	10.40%	49.78%	\$ 25,541
173	39005	39005-G-Structures & Improvements	\$ 3,747,661	-	3,747,661	100.00%	1.57%	58,862	\$ 3,608,672	100.00%	1.57%	56,679
174	39009	39009-Improv. to Leased Premises	\$ 9,316,766	-	9,316,766	10.40%	49.78%	482,340	\$ 9,316,062	10.40%	49.78%	482,304
175	39020	Struct & Improv AEAM	\$ (0)	-	(0)	100.00%	6.36%	(0)	\$ (0)	100.00%	6.36%	(0)
176	39029	Improv-Leased AEAM	\$ 99	-	99	100.00%	6.36%	6	\$ 28	100.00%	6.36%	2
177	39100	39100-Office Furniture & Equipment	\$ 1,951,797	-	1,951,797	10.40%	49.78%	101,047	\$ 1,849,950	10.40%	49.78%	95,774
178	39102	39102-Remittance Processing Equipment	\$ 1	-	1	10.40%	49.78%	0	\$ 1	10.40%	49.78%	0
179	39103	39103-Office Furn. - Copiers & Type	\$ 0	-	0	10.40%	49.78%	0	\$ 0	10.40%	49.78%	0
180	39104	39104-G-Office Furniture & Equip.	\$ 33,337	-	33,337	100.00%	1.57%	524	\$ 31,635	100.00%	1.57%	497
181	39120	Off Furn & Equip-AEAM	\$ 107,353	-	107,353	100.00%	6.36%	6,830	\$ 102,125	100.00%	6.36%	6,497
182	39200	39200-Transportation Equipment	\$ 5,792	-	5,792	10.40%	49.78%	300	\$ 5,486	10.40%	49.78%	284
183	39300	39300-Stores Equipment	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
184	39400	39400-Tools, Shop, & Garage Equip.	\$ 35,970	-	35,970	10.40%	49.78%	1,862	\$ 32,756	10.40%	49.78%	1,696
185	39420	Tools And Garage-AEAM	\$ 388	-	388	100.00%	6.36%	25	\$ 368	100.00%	6.36%	25
186	39500	39500-Laboratory Equipment	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
187	39700	39700-Communication Equipment	\$ 565,490	-	565,490	10.40%	49.78%	29,276	\$ 535,334	10.40%	49.78%	27,715
188	39720	Commun Equip AEAM	\$ 4,027	-	4,027	100.00%	6.36%	256	\$ 3,771	100.00%	6.36%	240
189	39800	39800-Miscellaneous Equipment	\$ 48,560	-	48,560	10.40%	49.78%	2,514	\$ 45,314	10.40%	49.78%	2,346
190	39820	Misc Equip - AEAM	\$ 1,008	-	1,008	100.00%	6.36%	64	\$ 836	100.00%	6.36%	53
191	39900	39900-Other Tangible Equipm	\$ 162,984	-	162,984	10.40%	49.78%	8,438	\$ 162,827	10.40%	49.78%	8,430
192	39901	39901-Oth Tang Prop - Servers - H/W	\$ 23,301,685	-	23,301,685	100.00%	49.78%	11,599,579	\$ 21,518,817	100.00%	49.78%	10,712,067
193	39902	39902-Oth Tang Prop - Servers - S/W	\$ 18,351,174	-	18,351,174	10.40%	49.78%	950,062	\$ 17,438,858	10.40%	49.78%	902,831
194	39903	39903-Oth Tang Prop - Network - H/W	\$ 2,715,647	-	2,715,647	10.40%	49.78%	140,592	\$ 2,543,235	10.40%	49.78%	131,666
195	39904	39904-Oth Tang Prop - CPU	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
196	39905	39905-Oth Tang Prop - MF Hardware	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
197	39906	39906-Oth Tang Prop - PC Hardware	\$ 1,227,065	-	1,227,065	10.40%	49.78%	63,527	\$ 1,103,119	10.40%	49.78%	57,110
198	39907	39907-Oth Tang Prop - PC Software	\$ 299,840	-	299,840	10.40%	49.78%	15,523	\$ 249,234	10.40%	49.78%	12,903
199	39908	39908-Oth Tang Prop - Appl Software	\$ 35,647,387	-	35,647,387	10.40%	49.78%	1,845,508	\$ 33,415,036	10.40%	49.78%	1,729,937
200	39909	39909-Oth Tang Prop - Mainframe S/W	\$ 44,629	-	44,629	10.40%	49.78%	2,311	\$ 44,318	10.40%	49.78%	2,294
201	39921	Servers-Hardware-AEAM	\$ 1,246,484	-	1,246,484	100.00%	6.36%	79,304	\$ 1,170,658	100.00%	6.36%	74,480
202	39922	Servers-Software-AEAM	\$ 515,708	-	515,708	100.00%	6.36%	32,811	\$ 472,987	100.00%	6.36%	30,093
203	39923	Network Hardware-AEAM	\$ 45,881	-	45,881	100.00%	6.36%	2,919	\$ 43,881	100.00%	6.36%	2,779
204	39924	39924-Oth Tang Prop - Gen.	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
205	39926	Pc Hardware-AEAM	\$ 71,816	-	71,816	100.00%	6.36%	4,569	\$ 55,799	100.00%	6.36%	3,550
206	39928	Application SW-AEAM	\$ 13,197,892	-	13,197,892	100.00%	6.36%	839,682	\$ 12,528,080	100.00%	6.36%	797,067
207	39931	ALGN-Servers-Hardware	\$ 67,770	-	67,770	100.00%	0.00%	-	\$ 53,662	100.00%	0.00%	-
208	39932	ALGN-Servers-Software	\$ 64,025	-	64,025	100.00%	0.00%	-	\$ 48,541	100.00%	0.00%	-
209	39938	ALGN-Application SW	\$ 4,113,000	-	4,113,000	100.00%	0.00%	-	\$ 3,519,066	100.00%	0.00%	-
210		Retirement Work in Progress	\$ -	-	-	10.40%	49.78%	-	\$ -	100.00%	49.78%	-
211												
212		Total Depr Reserves (Div 2)	\$ 117,407,578	\$ -	\$ 117,407,578			\$ 16,295,462	\$ 110,393,628			\$ 15,164,859
213												

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Jurisdictional Accumulated Depreciation & Amortization
 as of December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(b)3
 Schedule B-3 B
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance			Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			Balance	Adjustments	Adjusted Balance							
214		Shared Services Customer Support (Division 012)										
215												
216		General Plant										
217	38900	38900-Land	\$ -	\$ -	\$ -	10.95%	51.52%	\$ -	\$ -	10.95%	51.52%	\$ -
218	38910	38910-CKV-Land & Land Rights	\$ -	-	-	100.00%	2.32%	\$ -	\$ -	100.00%	2.32%	-
219	39000	39000-Structures & Improvements	\$ 2,017,624	-	2,017,624	10.95%	51.52%	113,819	\$ 1,823,528	10.95%	51.52%	102,869
220	39009	39009-Improv. to Leased Premises	\$ 1,698,696	-	1,698,696	10.95%	51.52%	95,827	\$ 1,650,738	10.95%	51.52%	93,122
221	39010	39010-CKV-Structures & Improvements	\$ 2,945,092	-	2,945,092	100.00%	2.32%	68,285	\$ 2,755,432	100.00%	2.32%	63,888
222	39100	39100-Office Furniture & Equipment	\$ 871,244	-	871,244	10.95%	51.52%	49,149	\$ 823,736	10.95%	51.52%	46,469
223	39101	Office Furniture And	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
224	39102	Remittance Processing	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
225	39103	39103-Office Furn. - Copiers & Type	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
226	39110	CKV-Office Furn & Eq	\$ 47,615	-	47,615	100.00%	2.32%	1,104	\$ 39,835	100.00%	2.32%	924
227	39210	CKV-Transportation Eq	\$ 96,385	-	96,385	100.00%	2.32%	2,235	\$ 93,812	100.00%	2.32%	2,175
228	39410	CKV-Tools Shop Garage	\$ 122,607	-	122,607	100.00%	2.32%	2,843	\$ 104,565	100.00%	2.32%	2,424
229	39510	CKV-Laboratory Equip	\$ 16,579	-	16,579	100.00%	2.32%	384	\$ 15,393	100.00%	2.32%	357
230	39700	39700-Communication Equipment	\$ 1,089,239	-	1,089,239	10.95%	51.52%	61,446	\$ 1,033,855	10.95%	51.52%	58,322
231	39710	39710-CKV-Communication Equipment	\$ 159,675	-	159,675	100.00%	2.32%	3,702	\$ 151,245	100.00%	2.32%	3,507
232	39800	39800-Miscellaneous Equipment	\$ 13,733	-	13,733	10.95%	51.52%	775	\$ 12,115	10.95%	51.52%	683
233	39810	CKV-Misc Equipment	\$ 149,304	-	149,304	100.00%	2.32%	3,462	\$ 137,956	100.00%	2.32%	3,199
234	39900	39900-Other Tangible Property	\$ 501,737	-	501,737	10.95%	51.52%	28,304	\$ 460,205	10.95%	51.52%	25,961
235	39901	39901-Oth Tang Prop - Servers - H/W	\$ 5,258,881	-	5,258,881	10.95%	51.52%	296,665	\$ 4,782,854	10.95%	51.52%	269,811
236	39902	39902-Oth Tang Prop - Servers - S/W	\$ 1,235,832	-	1,235,832	10.95%	51.52%	69,716	\$ 1,146,580	10.95%	51.52%	64,681
237	39903	39903-Oth Tang Prop - Network - H/W	\$ 374,102	-	374,102	10.95%	51.52%	21,104	\$ 351,089	10.95%	51.52%	19,806
238	39906	39906-Oth Tang Prop - PC Hardware	\$ 580,077	-	580,077	10.95%	51.52%	32,723	\$ 529,829	10.95%	51.52%	29,889
239	39907	39907-Oth Tang Prop - PC Software	\$ 137,253	-	137,253	10.95%	51.52%	7,743	\$ 130,947	10.95%	51.52%	7,387
240	39908	39908-Oth Tang Prop - Appl Software	\$ 31,828,466	-	31,828,466	10.95%	51.52%	1,795,513	\$ 28,889,060	10.95%	51.52%	1,629,695
241	39910	39910-CKV-Other Tangible Property	\$ 176,542	-	176,542	100.00%	2.32%	4,093	\$ 154,058	100.00%	2.32%	3,572
242	39916	39916-CKV-Oth Tang Prop-PC Hardware	\$ 251,269	-	251,269	100.00%	2.32%	5,826	\$ 237,228	100.00%	2.32%	5,500
243	39917	39917-CKV-Oth Tang Prop-PC Software	\$ 76,530	-	76,530	100.00%	2.32%	1,774	\$ 73,086	100.00%	2.32%	1,695
244	39918	CKV-Oth Tang Prop-App	\$ 11,041	-	11,041	100.00%	2.32%	256	\$ 10,370	100.00%	2.32%	240
245	39924	Oth Tang Prop - Gen.	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
246		RWIP	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
247												
248		Total Depr Reserves (Div 12)	\$ 49,659,522	\$ -	\$ 49,659,522			\$ 2,666,749	\$ 45,407,517			\$ 2,436,176
249												
250		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	\$ 346,522,885	\$ -	\$ 346,470,368			\$ 197,392,161	\$ 332,776,661			\$ 193,590,170

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 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

FR 16(b)(3)
 Schedule B-3 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
Kentucky Direct (Division 009)												
		<u>Intangible Plant</u>										
1												
2	30100	Organization	\$ 8,330	\$ -	\$ 8,330	100%	100%	\$ 8,330	\$ 8,330	100%	100%	\$ 8,330
3	30200	Franchises & Consents	\$ 119,853	-	119,853	100%	100%	119,853	\$ 119,853	100%	100%	119,853
4												
5		Total Intangible Plant Reserves	\$ 128,182	\$ -	\$ 128,182			\$ 128,182	\$ 128,182			\$ 128,182
6												
7		<u>Natural Gas Production Plant</u>										
8	32540	Rights of Ways	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
9	33202	Tributary Lines	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
11												
12		Total Natural Gas Production Plant Reser	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -
13												
14		<u>Storage Plant</u>										
15	35010	Land	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
16	35020	Rights of Way	\$ 4,464	-	4,464	100%	100%	4,464	\$ 4,453	100%	100%	4,453
17	35100	Structures and Improvements	\$ 6,437	-	6,437	100%	100%	6,437	\$ 6,289	100%	100%	6,289
18	35102	Compression Station Equipment	\$ 114,702	-	114,702	100%	100%	114,702	\$ 113,744	100%	100%	113,744
19	35103	Meas. & Reg. Sta. Structures	\$ 20,587	-	20,587	100%	100%	20,587	\$ 20,483	100%	100%	20,483
20	35104	Other Structures	\$ 101,030	-	101,030	100%	100%	101,030	\$ 100,144	100%	100%	100,144
21	35200	Wells \ Rights of Way	\$ 1,271,387	-	1,271,387	100%	100%	1,271,387	\$ 1,190,830	100%	100%	1,190,830
22	35201	Well Construction	\$ 1,432,431	-	1,432,431	100%	100%	1,432,431	\$ 1,419,511	100%	100%	1,419,511
23	35202	Well Equipment	\$ 450,595	-	450,595	100%	100%	450,595	\$ 450,595	100%	100%	450,595
24	35203	Cushion Gas	\$ 770,288	-	770,288	100%	100%	770,288	\$ 758,594	100%	100%	758,594
25	35210	Leaseholds	\$ 168,338	-	168,338	100%	100%	168,338	\$ 168,062	100%	100%	168,062
26	35211	Storage Rights	\$ 44,196	-	44,196	100%	100%	44,196	\$ 43,956	100%	100%	43,956
27	35301	Field Lines	\$ (87,598)	-	(87,598)	100%	100%	(87,598)	\$ (88,396)	100%	100%	(88,396)
28	35302	Tributary Lines	\$ 190,129	-	190,129	100%	100%	190,129	\$ 189,177	100%	100%	189,177
29	35400	Compressor Station Equipment	\$ 505,702	-	505,702	100%	100%	505,702	\$ 497,853	100%	100%	497,853
30	35500	Meas & Reg. Equipment	\$ 204,824	-	204,824	100%	100%	204,824	\$ 202,544	100%	100%	202,544
31	35600	Purification Equipment	\$ 195,903	-	195,903	100%	100%	195,903	\$ 191,797	100%	100%	191,797
32												
33		Total Storage Plant Reserves	\$ 5,393,416	\$ -	\$ 5,393,416			\$ 5,393,416	\$ 5,269,635			\$ 5,269,635

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 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

FR 16(b)(3)
 Schedule B-3 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending		Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			Balance	Adjustments								
34												
35		<u>Transmission Plant</u>										
36	36510	Land	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
37	36520	Rights of Way	\$ 432,651	-	432,651	100%	100%	432,651	\$ 428,096	100%	100%	428,096
38	36602	Structures & Improvements	\$ 17,141	-	17,141	100%	100%	17,141	\$ 16,837	100%	100%	16,837
39	36603	Other Structures	\$ 53,443	-	53,443	100%	100%	53,443	\$ 53,066	100%	100%	53,066
40	36700	Mains Cathodic Protection	\$ 100,998	-	100,998	100%	100%	100,998	\$ 98,316	100%	100%	98,316
41	36701	Mains - Steel	\$ 15,791,013	-	15,791,013	100%	100%	15,791,013	\$ 16,387,961	100%	100%	16,387,961
42	36703	Mains - Anodes	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
43	36900	Meas. & Reg. Equipment	\$ 359,101	-	359,101	100%	100%	359,101	\$ 353,469	100%	100%	353,469
44	36901	Meas. & Reg. Equipment	\$ 1,791,727	-	1,791,727	100%	100%	1,791,727	\$ 1,774,251	100%	100%	1,774,251
45												
46		Total Production Plant - LPG Reserves	\$ 18,546,074	\$ -	\$ 18,546,074			\$ 18,546,074	\$ 19,111,996			\$ 19,111,996
47												
48		<u>Distribution Plant</u>										
49	37400	Land & Land Rights	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
50	37401	Land	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
51	37402	Land Rights	\$ 260,969	-	260,969	100%	100%	260,969	\$ 235,363	100%	100%	235,363
52	37403	Land Other	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
53	37500	Structures & Improvements	\$ 116,704	-	116,704	100%	100%	116,704	\$ 113,695	100%	100%	113,695
54	37501	Structures & Improvements T.B.	\$ 72,342	-	72,342	100%	100%	72,342	\$ 71,449	100%	100%	71,449
55	37502	Land Rights	\$ 35,813	-	35,813	100%	100%	35,813	\$ 35,399	100%	100%	35,399
56	37503	Improvements	\$ 1,956	-	1,956	100%	100%	1,956	\$ 1,920	100%	100%	1,920
57	37600	Mains Cathodic Protection	\$ 13,343,000	-	13,343,000	100%	100%	13,343,000	\$ 13,210,658	100%	100%	13,210,658
58	37601	Mains - Steel	\$ 35,444,734	-	35,444,734	100%	100%	35,444,734	\$ 33,671,112	100%	100%	33,671,112
59	37602	Mains - Plastic	\$ 20,622,437	-	20,622,437	100%	100%	20,622,437	\$ 19,028,671	100%	100%	19,028,671
60	37603	Mains - Anodes	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
61	37604	Mains - Leak Clamps	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
62	37800	Meas & Reg. Sta. Equip - General	\$ 3,376,893	-	3,376,893	100%	100%	3,376,893	\$ 2,894,799	100%	100%	2,894,799
63	37900	Meas & Reg. Sta. Equip - City Gate	\$ 1,036,623	-	1,036,623	100%	100%	1,036,623	\$ 984,409	100%	100%	984,409
64	37905	Meas & Reg. Sta. Equipment T.B.	\$ 1,061,490	-	1,061,490	100%	100%	1,061,490	\$ 1,038,111	100%	100%	1,038,111
65	38000	Services	\$ 28,726,410	-	28,726,410	100%	100%	28,726,410	\$ 30,562,139	100%	100%	30,562,139
66	38100	Meters	\$ 22,606,422	-	22,606,422	100%	100%	22,606,422	\$ 21,386,354	100%	100%	21,386,354
67	38200	Meter Installaitons	\$ 27,709,401	-	27,709,401	100%	100%	27,709,401	\$ 26,987,899	100%	100%	26,987,899
68	38300	House Regulators	\$ 4,582,202	-	4,582,202	100%	100%	4,582,202	\$ 4,321,265	100%	100%	4,321,265
69	38400	House Reg. Installations	\$ 98,891	-	98,891	100%	100%	98,891	\$ 94,403	100%	100%	94,403
70	38500	Ind. Meas. & Reg. Sta. Equipment	\$ 3,014,910	-	3,014,910	100%	100%	3,014,910	\$ 2,958,741	100%	100%	2,958,741
71												
72		Total Distribution Plant Reserves	\$ 162,111,198	\$ -	\$ 162,111,198			\$ 162,111,198	\$ 157,596,387			\$ 157,596,387

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 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
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 Schedule B-3 F
 Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending			Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			Balance	Adjustments	Adjusted Balance							
73												
74		<u>General Plant</u>										
75	38900	38900-Land & Land Rights	\$ -	\$ -	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
76	39000	39000-Structures & Improvements	\$ 1,376,546	-	1,376,546	100%	100%	1,376,546	\$ 1,253,482	100%	100%	1,253,482
77	39002	39002-Structures - Brick	\$ 110,370	-	110,370	100%	100%	110,370	\$ 107,583	100%	100%	107,583
78	39003	39003-Improvements	\$ 304,148	-	304,148	100%	100%	304,148	\$ 292,730	100%	100%	292,730
79	39004	39004-Air Conditioning Equipment	\$ 5,415	-	5,415	100%	100%	5,415	\$ 5,049	100%	100%	5,049
80	39009	39009-Improv. to Leased Premises	\$ 1,248,110	-	1,248,110	100%	100%	1,248,110	\$ 1,248,110	100%	100%	1,248,110
81	39100	39100-Office Furniture & Equipment	\$ 1,191,625	-	1,191,625	100%	100%	1,191,625	\$ 1,144,609	100%	100%	1,144,609
82	39103	Office Machines	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
83	39200	39200-Transportation Equipment	\$ 119,478	-	119,478	100%	100%	119,478	\$ 113,788	100%	100%	113,788
84	39202	39202-WKG Trailers	\$ (2,529)	-	(2,529)	100%	100%	(2,529)	\$ (2,529)	100%	100%	(2,529)
85	39400	39400-Tools, Shop, & Garage Equip.	\$ 1,424,932	-	1,424,932	100%	100%	1,424,932	\$ 1,300,851	100%	100%	1,300,851
86	39603	39603-Ditchers	\$ 39,655	-	39,655	100%	100%	39,655	\$ 39,655	100%	100%	39,655
87	39604	39604-Backhoes	\$ 62,818	-	62,818	100%	100%	62,818	\$ 62,818	100%	100%	62,818
88	39605	39605-Welders	\$ 19,456	-	19,456	100%	100%	19,456	\$ 19,456	100%	100%	19,456
89	39700	39700-Communication Equipment	\$ 286,494	-	286,494	100%	100%	286,494	\$ 269,010	100%	100%	269,010
90	39701	Communication Equip.	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
91	39702	Communication Equip.	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
92	39705	39705-Comm. Equip. - Telemetering	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
93	39800	39800-Miscellaneous Equipment	\$ 2,170,177	-	2,170,177	100%	100%	2,170,177	\$ 2,072,883	100%	100%	2,072,883
94	39901	Servers Hardware	\$ 7,698	-	7,698	100%	100%	7,698	\$ 6,670	100%	100%	6,670
95	39902	Servers Software	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	\$ 71,374	-	71,374	100%	100%	71,374	\$ 64,644	100%	100%	64,644
97	39906	39906-Oth Tang Prop - PC Hardware	\$ (85,447)	-	(85,447)	100%	100%	(85,447)	\$ 112,226	100%	100%	112,226
98	39907	39907-Oth Tang Prop - PC Software	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	\$ 123,061	-	123,061	100%	100%	123,061	\$ 117,916	100%	100%	117,916
100		Retirement Work in Progress	\$ (6,374,709)	-	(6,374,709)	100%	100%	(6,374,709)	\$ (6,374,709)	100%	100%	(6,374,709)
		Retirement Work in Progress Recon	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
101		AR 15 general plant amortization	\$ -	-	-	100%	100%	-	\$ -	100%	100%	-
102												
103		Total General Plant Reserves	\$ 2,098,673	\$ -	\$ 2,098,673			\$ 2,098,673	\$ 1,854,243			\$ 1,854,243
104												
105		Total Depr Reserves (Div 9)	\$ 188,277,542	\$ -	\$ 188,277,542			\$ 188,277,542	\$ 183,960,444			\$ 183,960,444
106												
107												

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Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
108												
109		Kentucky-Mid-States General Office (Division 091)										
110												
111		<u>Intangible Plant</u>										
112	30100	Organization	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	49.78%	\$ -
113	30300	Misc Intangible Plant	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	49.78%	\$ -
114												
115		Total Intangible Plant	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -
116												
117		<u>Distribution Plant</u>										
118	37400	Land & Land Rights	\$ -	\$ -	\$ -	100%	49.78%	\$ -	\$ -	100%	49.78%	\$ -
119	35010	Land	-	-	-	100%	49.78%	-	-	100%	49.78%	-
120	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
121	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	49.78%	-
122	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
123	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
124	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
125	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
126	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	49.78%	-
127	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	49.78%	-
128	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	49.78%	-
129	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	49.78%	-
130	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	49.78%	-
131	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
132	38000	Services	-	-	-	100%	49.78%	-	-	100%	49.78%	-
133	38100	Meters	-	-	-	100%	49.78%	-	-	100%	49.78%	-
134	38200	Meter Installaitons	-	-	-	100%	49.78%	-	-	100%	49.78%	-
135	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	49.78%	-
136	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	49.78%	-
137	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	49.78%	-
138	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	49.78%	-
139												
140		Total Distribution Plant	\$ -	\$ -	\$ -			\$ -	\$ -			\$ -

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Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
141												
142		<u>General Plant</u>										
143	39001	39001-Structures - Frame	\$ 108,392	\$ -	\$ 108,392	100.00%	49.78%	\$ 53,957	\$ 105,881	100.00%	49.78%	\$ 52,708
144	39004	39004-Air Conditioning Equipment	\$ 10,788	-	10,788	100%	49.78%	5,370	\$ 10,224	100%	49.78%	5,090
145	39009	39009-Improv. to Leased Premises	\$ 38,834	-	38,834	100%	49.78%	19,332	\$ 38,834	100%	49.78%	19,332
146	39100	39100-Office Furniture & Equipment	\$ 38,609	-	38,609	100%	49.78%	19,220	\$ 38,609	100%	49.78%	19,220
147	39101	Office Furniture And	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
148	39103	Office Machines	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
149	39200	39200-Trans Equip- Group	\$ 18,749	-	18,749	100%	49.78%	9,333	\$ 17,869	100%	49.78%	8,895
150	39300	Stores Equipment	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
151	39400	39400-Tools, Shop, & Garage Equip.	\$ 148,312	-	148,312	100%	49.78%	73,830	\$ 143,854	100%	49.78%	71,611
152	39600	39600-Power Operated Equipment	\$ 9,399	-	9,399	100%	49.78%	4,679	\$ 8,789	100%	49.78%	4,375
153	39700	39700-Communication Equipment	\$ (4,350)	-	(4,350)	100%	49.78%	(2,165)	\$ (6,009)	100%	49.78%	(2,991)
154	39701	Communication Equip.	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
155	39702	Communication Equip.	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
156	39800	39800-Miscellaneous Equipment	\$ 734,152	-	734,152	100%	49.78%	365,461	\$ 721,858	100%	49.78%	359,341
157	39900	39900-Other Tangible Property	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
158	39901	39901-Oth Tang Prop - Servers - H/W	\$ (34,766)	-	(34,766)	100%	49.78%	(17,306)	\$ (34,766)	100%	49.78%	(17,306)
159	39902	39902-Oth Tang Prop - Servers - S/W	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
160	39903	39903-Oth Tang Prop - Network - H/W	\$ -	-	-	100%	49.78%	-	\$ -	100%	49.78%	-
161	39906	39906-Oth Tang Prop - PC Hardware	\$ 70,196	-	70,196	100%	49.78%	34,944	\$ 70,196	100%	49.78%	34,944
162	39907	39907-Oth Tang Prop - PC Software	\$ 54,468	-	54,468	100%	49.78%	27,114	\$ 42,359	100%	49.78%	21,086
163	39908	39908-Oth Tang Prop - Appl Software	\$ 828,509	-	828,509	100%	49.78%	412,432	\$ 828,509	100%	49.78%	412,432
164		Retirement Work in Progress	\$ 52,517	-	52,517	100%	49.78%	26,143	\$ 52,517	100%	49.78%	26,143
165												
166		Total General Plant	\$ 2,073,811	\$ -	\$ 2,073,811			\$ 1,032,343	\$ 2,038,725			\$ 1,014,877
167												
168		Total Depr Reserves (Div 91)	\$ 2,073,811	\$ -	\$ 2,073,811			\$ 1,032,343	\$ 2,038,725			\$ 1,014,877

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Line No.	Acct. No.	Account / SubAccount Titles	Ending		Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			Balance	Adjustments								
169												
170		Shared Services General Office (Division 002)										
171												
172		<u>General Plant</u>										
173	39000	39000-Structures & Improvements	\$ 582,515	\$ -	\$ 582,515	10.40%	49.78%	30,157	\$ 555,048	10.40%	49.78%	\$ 28,735
174	39005	39005-G-Structures & Improvements	\$ 4,093,328	-	4,093,328	100.00%	1.57%	64,291	\$ 3,955,061	100.00%	1.57%	62,119
175	39009	39009-Improv. to Leased Premises	\$ 9,316,766	-	9,316,766	10.40%	49.78%	482,340	\$ 9,316,766	10.40%	49.78%	482,340
176	39020	Struct & Improv AEAM	\$ (0)	-	(0)	100.00%	6.36%	(0)	\$ (0)	100.00%	6.36%	(0)
177	39029	Improv-Leased AEAM	\$ 736	-	736	100.00%	6.36%	47	\$ 433	100.00%	6.36%	28
178	39100	39100-Office Furniture & Equipment	\$ 2,207,717	-	2,207,717	10.40%	49.78%	114,296	\$ 2,105,155	10.40%	49.78%	108,986
179	39102	39102-Remittance Processing Equipment	\$ 1	-	1	10.40%	49.78%	0	\$ 1	10.40%	49.78%	0
180	39103	39103-Office Furn. - Copiers & Type	\$ 0	-	0	10.40%	49.78%	0	\$ 0	10.40%	49.78%	0
181	39104	39104-G-Office Furniture & Equip.	\$ 40,482	-	40,482	100.00%	1.57%	636	\$ 37,320	100.00%	1.57%	586
182	39120	Off Furn & Equip-AEAM	\$ 120,389	-	120,389	100.00%	6.36%	7,659	\$ 115,175	100.00%	6.36%	7,328
183	39200	39200-Transportation Equipment	\$ 6,535	-	6,535	10.40%	49.78%	338	\$ 6,238	10.40%	49.78%	323
184	39300	39300-Stores Equipment	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
185	39400	39400-Tools, Shop, & Garage Equip.	\$ 43,929	-	43,929	10.40%	49.78%	2,274	\$ 40,745	10.40%	49.78%	2,109
186	39420	Tools And Garage-AEAM	\$ 388	-	388	100.00%	6.36%	25	\$ 388	100.00%	6.36%	25
187	39500	39500-Laboratory Equipment	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
188	39700	39700-Communication Equipment	\$ 641,492	-	641,492	10.40%	49.78%	33,211	\$ 611,091	10.40%	49.78%	31,637
189	39720	Commun Equip AEAM	\$ 4,672	-	4,672	100.00%	6.36%	297	\$ 4,414	100.00%	6.36%	281
190	39800	39800-Miscellaneous Equipment	\$ 57,586	-	57,586	10.40%	49.78%	2,981	\$ 53,976	10.40%	49.78%	2,794
191	39820	Misc Equip - AEAM	\$ 1,497	-	1,497	100.00%	6.36%	95	\$ 1,301	100.00%	6.36%	83
192	39900	39900-Other Tangible Equipm	\$ 162,984	-	162,984	10.40%	49.78%	8,438	\$ 162,984	10.40%	49.78%	8,438
193	39901	39901-Oth Tang Prop - Servers - H/W	\$ 28,340,239	-	28,340,239	10.40%	49.78%	1,467,208	\$ 26,275,002	10.40%	49.78%	1,360,288
194	39902	39902-Oth Tang Prop - Servers - S/W	\$ 21,199,798	-	21,199,798	10.40%	49.78%	1,097,539	\$ 20,004,927	10.40%	49.78%	1,035,679
195	39903	39903-Oth Tang Prop - Network - H/W	\$ 3,431,495	-	3,431,495	10.40%	49.78%	177,653	\$ 3,114,229	10.40%	49.78%	161,227
196	39904	39904-Oth Tang Prop - CPU	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
197	39905	39905-Oth Tang Prop - MF Hardware	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
198	39906	39906-Oth Tang Prop - PC Hardware	\$ 1,569,943	-	1,569,943	10.40%	49.78%	81,278	\$ 1,431,224	10.40%	49.78%	74,096
199	39907	39907-Oth Tang Prop - PC Software	\$ 436,957	-	436,957	10.40%	49.78%	22,622	\$ 380,965	10.40%	49.78%	19,723
200	39908	39908-Oth Tang Prop - Appl Software	\$ 41,719,463	-	41,719,463	10.40%	49.78%	2,159,867	\$ 39,245,354	10.40%	49.78%	2,031,779
201	39909	39909-Oth Tang Prop - Mainframe S/W	\$ 44,629	-	44,629	10.40%	49.78%	2,311	\$ 44,629	10.40%	49.78%	2,311
202	39921	Servers-Hardware-AEAM	\$ 1,439,509	-	1,439,509	100.00%	6.36%	91,585	\$ 1,362,299	100.00%	6.36%	86,873
203	39922	Servers-Software-AEAM	\$ 623,008	-	623,008	100.00%	6.36%	39,637	\$ 580,088	100.00%	6.36%	36,907
204	39923	Network Hardware-AEAM	\$ 51,139	-	51,139	100.00%	6.36%	3,254	\$ 49,036	100.00%	6.36%	3,120
205	39924	39924-Oth Tang Prop - Gen.	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
206	39926	Pc Hardware-AEAM	\$ 113,039	-	113,039	100.00%	6.36%	7,192	\$ 96,550	100.00%	6.36%	6,143
207	39928	Application SW-AEAM	\$ 14,889,595	-	14,889,595	100.00%	6.36%	947,312	\$ 14,212,410	100.00%	6.36%	904,228
208	39931	ALGN-Servers-Hardware	\$ 102,996	-	102,996	100.00%	0.00%	-	\$ 88,906	100.00%	0.00%	-
209	39932	ALGN-Servers-Software	\$ 102,617	-	102,617	100.00%	0.00%	-	\$ 87,180	100.00%	0.00%	-
210	39938	ALGN-Application SW	\$ 5,740,913	-	5,740,913	100.00%	0.00%	-	\$ 5,074,484	100.00%	0.00%	-
211		Retirement Work in Progress	\$ -	-	-	10.40%	49.78%	-	\$ -	10.40%	49.78%	-
212												
213		Total Depr Reserves (Div 2)	\$ 137,086,357	\$ -	\$ 137,086,357			\$ 6,844,543	\$ 129,013,380			\$ 6,457,986

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Line	Acct. No.	Account / SubAccount Titles	Ending			Kentucky- Mid	Kentucky	Allocated	13 Month	Kentucky- Mid	Kentucky	Allocated
			Balance	Adjustments	Adjusted Balance	States Division Allocation	Jurisdiction Allocation			States Division Allocation	Jurisdiction Allocation	
214												
215		Shared Services Customer Support (Division 012)										
216												
217		General Plant										
218	38900	38900-Land	\$ -	\$ -	\$ -	10.95%	51.52%	\$ -	\$ -	10.95%	51.52%	\$ -
219	38910	38910-CKV-Land & Land Rights	\$ -	-	-	100.00%	2.32%	-	\$ -	100.00%	2.32%	-
220	39000	39000-Structures & Improvements	\$ 2,494,295	-	2,494,295	10.95%	51.52%	140,709	\$ 2,303,627	10.95%	51.52%	129,953
221	39009	39009-Improv. to Leased Premises	\$ 1,813,284	-	1,813,284	10.95%	51.52%	102,291	\$ 1,767,449	10.95%	51.52%	99,706
222	39010	39010-CKV-Structures & Improvements	\$ 3,408,099	-	3,408,099	100.00%	2.32%	79,021	\$ 3,222,896	100.00%	2.32%	74,727
223	39100	39100-Office Furniture & Equipment	\$ 995,778	-	995,778	10.95%	51.52%	56,174	\$ 945,264	10.95%	51.52%	53,324
224	39101	Office Furniture And	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
225	39102	Remittance Processing	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
226	39103	39103-Office Furn. - Copiers & Type	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
227	39110	CKV-Office Furn & Eq	\$ 72,530	-	72,530	100.00%	2.32%	1,682	\$ 61,948	100.00%	2.32%	1,436
228	39210	CKV-Transportation Eq	\$ 96,385	-	96,385	100.00%	2.32%	2,235	\$ 96,385	100.00%	2.32%	2,235
229	39410	CKV-Tools Shop Garage	\$ 184,199	-	184,199	100.00%	2.32%	4,271	\$ 157,579	100.00%	2.32%	3,654
230	39510	CKV-Laboratory Equip	\$ 19,548	-	19,548	100.00%	2.32%	453	\$ 18,360	100.00%	2.32%	426
231	39700	39700-Communication Equipment	\$ 1,229,135	-	1,229,135	10.95%	51.52%	69,338	\$ 1,173,177	10.95%	51.52%	66,181
232	39710	39710-CKV-Communication Equipment	\$ 180,991	-	180,991	100.00%	2.32%	4,196	\$ 172,465	100.00%	2.32%	3,999
233	39800	39800-Miscellaneous Equipment	\$ 18,363	-	18,363	10.95%	51.52%	1,036	\$ 16,511	10.95%	51.52%	931
234	39810	CKV-Misc Equipment	\$ 182,980	-	182,980	100.00%	2.32%	4,243	\$ 169,509	100.00%	2.32%	3,930
235	39900	39900-Other Tangible Property	\$ 604,449	-	604,449	10.95%	51.52%	34,098	\$ 563,364	10.95%	51.52%	31,781
236	39901	39901-Oth Tang Prop - Servers - H/W	\$ 6,484,556	-	6,484,556	10.95%	51.52%	365,808	\$ 5,994,286	10.95%	51.52%	338,151
237	39902	39902-Oth Tang Prop - Servers - S/W	\$ 1,461,754	-	1,461,754	10.95%	51.52%	82,461	\$ 1,371,386	10.95%	51.52%	77,363
238	39903	39903-Oth Tang Prop - Network - H/W	\$ 429,081	-	429,081	10.95%	51.52%	24,205	\$ 407,089	10.95%	51.52%	22,965
239	39906	39906-Oth Tang Prop - PC Hardware	\$ 716,762	-	716,762	10.95%	51.52%	40,434	\$ 661,521	10.95%	51.52%	37,318
240	39907	39907-Oth Tang Prop - PC Software	\$ 153,020	-	153,020	10.95%	51.52%	8,632	\$ 146,713	10.95%	51.52%	8,276
241	39908	39908-Oth Tang Prop - Appl Software	\$ 39,389,426	-	39,389,426	10.95%	51.52%	2,222,043	\$ 36,343,197	10.95%	51.52%	2,050,199
242	39910	39910-CKV-Other Tangible Property	\$ 231,991	-	231,991	100.00%	2.32%	5,379	\$ 209,812	100.00%	2.32%	4,865
243	39916	39916-CKV-Oth Tang Prop-PC Hardware	\$ 307,866	-	307,866	100.00%	2.32%	7,138	\$ 282,904	100.00%	2.32%	6,559
244	39917	39917-CKV-Oth Tang Prop-PC Software	\$ 85,140	-	85,140	100.00%	2.32%	1,974	\$ 81,696	100.00%	2.32%	1,894
245	39918	CKV-Oth Tang Prop-App	\$ 12,716	-	12,716	100.00%	2.32%	295	\$ 12,046	100.00%	2.32%	279
246	39924	Oth Tang Prop - Gen.	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
247		Retirement Work in Progress	\$ -	-	-	10.95%	51.52%	-	\$ -	10.95%	51.52%	-
248												
249		Total Depr Reserves (Div 12)	\$ 60,572,350	\$ -	\$ 60,572,350			\$ 3,258,117	\$ 56,179,183			\$ 3,020,151
250												
251		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	\$ 388,010,060	\$ -	\$ 388,010,060			\$ 199,412,545	\$ 371,191,731			\$ 194,453,459

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Allowance For Working Capital
 as of December 31, 2018

Data: Base Period _____ Forecasted Period _____
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s).

FR 16(8)(b)4
 Schedule B-4 B
 Witness: Waller, Christian

Line No.	Working Capital Component	Description of methodology used to determine Jurisdictional Requirement	Workpaper Reference No.	Total Company
1	Cash Working Capital	Lead/Lag Study		\$ 2,678,217
2	Material & Supplies	13 Month Average Balance	B-4.1	115,932
3	Gas Stored Underground	13 Month Average Balance	B-4.1	13,215,223
4	Prepayments	13 Month Average Balance	B-4.1	-
5	Total Working Capital Requirements			<u>\$ 16,009,373</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Allowance For Working Capital
 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised
 Workpaper Reference No(s).

FR 16(8)(b)4
 Schedule B-4 F
 Witness: Waller, Christian

Line No.	Working Capital Component	Description of methodology used to determine Jurisdictional Requirement	Workpaper Reference No.	Total Company
1	Cash Working Capital	Lead/Lag Study		\$ 2,692,759
2	Material & Supplies	13 Month Average Balance	B-4.1	117,866
3	Gas Stored Underground	13 Month Average Balance	B-4.1	8,905,991
4	Prepayments	13 Month Average Balance	B-4.1	<u>0</u>
5	Total Working Capital Requirements			<u><u>\$ 11,716,616</u></u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Working Capital Components
 as of December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(b)4.1
 Schedule B-4.1 B
 Witness: Waller

Line No.	Description	Base Period Ending Balance				13 Month Average			
		12/31/2018 Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	12/31/2018 13 Month Avg	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
1	Material & Supplies (Account 1540 & 1630)								
2	Kentucky Direct (Div 009)	\$ (402,124)	100%	100%	\$ (402,124)	\$ (391,975)	100%	100%	\$ (391,975)
3	KY/Mid-States General Office (Div 091)	1,044,575	100%	49.78%	519,990	1,020,303	100%	49.78%	507,907
4	Shared Services General Office (Div 002)	(0)	10.40%	49.78%	(0)	(0)	10.40%	49.78%	(0)
5	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
6	Total	\$ 642,452			\$ 117,866	\$ 628,329			\$ 115,932
7									
8	Gas Stored Underground (Account 1641)								
9	Kentucky Direct (Div 009)	\$ 13,798,753	100%	100%	\$ 13,798,753	\$ 13,215,223	100%	100%	#####
10	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
11	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
12	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
13	Total	\$ 13,798,753			\$ 13,798,753	\$ 13,215,223			#####
14									
15	Prepayments (Account 1650)								
16	Kentucky Direct (Div 009)	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
17	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
18	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
19	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
20	Total	\$ -			\$ -	\$ -			\$ -
21									
22	Total Other Working Capital Allowances	\$ 14,441,204			\$ 13,916,618	\$ 13,843,552			#####

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Working Capital Components
 as of March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

FR 16(8)(b)4.1
 Schedule B-4.1 F
 Witness: Waller

Line No.	Description	Forecasted Period Ending Balance				13 Month Average			
		3/31/2020 Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	3/31/2020 13 Month Avg	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
1	Material & Supplies (Account 1540 & 1630)								
2	Kentucky Direct (Div 009)	\$ (402,124)	100%	100%	\$ (402,124)	\$ (402,124)	100%	100%	\$ (402,124)
3	KY/Mid-States General Office (Div 091)	1,044,575	100%	49.78%	519,990	1,044,575	100%	49.78%	519,990
4	Shared Services General Office (Div 002)	(0)	10.40%	49.78%	(0)	(0)	10.40%	49.78%	(0)
5	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
6	Total	\$ 642,452			\$ 117,866	\$ 642,452			\$ 117,866
7									
8	Gas Stored Underground (Account 1641)								
9	Kentucky Direct (Div 009)	\$ (1,769,904)	100%	100%	\$ (1,769,904)	\$ 8,905,991	100%	100%	\$ 8,905,991
10	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
11	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
12	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
13	Total	\$ (1,769,904)			\$ (1,769,904)	\$ 8,905,991			\$ 8,905,991
14									
15	Prepayments (Account 1650)								
16	Kentucky Direct (Div 009)	\$ -	100%	100%	\$ -	\$ -	100%	100%	\$ -
17	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
18	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
19	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
20	Total	\$ -			\$ -	\$ -			\$ -
21									
22	Total Other Working Capital Allowances	\$ (1,127,452)			\$ (1,652,038)	\$ 9,548,443			\$ 9,023,857

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Cash Working Capital Components - 1 / 8 O&M Expenses
 as of December 31, 2018

Data: Base Period Forecasted Period

Type of Filing: Original Updated Revised

Workpaper Reference No(s).

FR 16(8)(b)4.2

Schedule B-4.2 B

Witness: Waller, Christian

Line No.	Description	Total Company (1)	1 / 8 Method Percent (2)	Jurisdictional Amount (3)
1	Cash Working Capital			
2	Production O&M Expense	\$ -	12.50%	\$ -
3	Storage O&M Expense	539,683	12.50%	67,460
4	Transmission O&M Expense	441,601	12.50%	55,200
5	Distribution O&M Expense	8,276,854	12.50%	1,034,607
6	Customer Accting. & Collection	2,960,697	12.50%	370,087
7	Customer Service & Information	129,523	12.50%	16,190
8	Sales Expense	440,892	12.50%	55,111
9	Admin. & General Expense	<u>15,741,887</u>	12.50%	<u>1,967,736</u>
10	Total O & M Expenses	<u>\$ 28,531,137</u>		<u>\$ 3,566,392</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Cash Working Capital Components - 1 / 8 O&M Expenses
 as of March 31, 2020

Data: Base Period Forecasted Period

Type of Filing: Original Updated Revised

Workpaper Reference No(s).

FR 16(8)(b)4.2

Schedule B-4.2 F

Witness: Waller, Christian

Line No.	Description	Total Company (1)	1 / 8 Method Percent (2)	Jurisdictional Amount (3)
1	Cash Working Capital			
2	Production O&M Expense	\$ -	12.50%	\$ -
3	Storage O&M Expense	488,914	12.50%	61,114
4	Transmission O&M Expense	410,103	12.50%	51,263
5	Distribution O&M Expense	7,342,106	12.50%	917,763
6	Customer Accting. & Collection	2,646,900	12.50%	330,862
7	Customer Service & Information	128,272	12.50%	16,034
8	Sales Expense	208,278	12.50%	26,035
9	Admin. & General Expense	<u>15,996,974</u>	12.50%	<u>1,999,622</u>
10	Total O & M Expenses	<u>\$ 27,221,546</u>		<u>\$ 3,402,693</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Deferred Credits and Accumulated Deferred Income Taxes
 as of December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference No(s).

FR 16(8)(b)5
 Sch. B-5 B
 Witness: Waller, Story

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
DIVISION 09									
1	Account 190 - Accumulated Deferred Income Taxes (1)	\$ 8,860,408	100%	100%	\$ 8,860,408	\$ 9,320,492	100%	100%	\$ 9,320,492
2									
3	Account 282 - Accumulated Deferred Income Taxes	(80,791,090)	100%	100%	(80,791,090)	(73,111,195)	100%	100%	(73,111,195)
4									
5	Account 283 - Accumulated Deferred Income Taxes - Other	(47,285)	100%	100%	(47,285)	(29,054)	100%	100%	(29,054)
6									
7	Div 09 Accumulated Deferred Income Taxes	<u>\$ (71,977,967)</u>			<u>\$ (71,977,967)</u>	<u>\$ (63,819,757)</u>			<u>\$ (63,819,757)</u>
8									
DIVISION 02									
10	Account 190 - Accumulated Deferred Income Taxes	\$437,021,385	10.40%	49.78%	\$ 22,625,122	\$453,425,662	10.40%	49.78%	\$ 23,474,391
11									
12	Account 282 - Accumulated Deferred Income Taxes	(19,702,364)	10.40%	49.78%	(1,020,015)	(18,180,120)	10.40%	49.78%	(941,207)
13									
14	Account 283 - Accumulated Deferred Income Taxes - Other	24,564,904	10.40%	49.78%	1,271,755	24,541,784	10.40%	49.78%	1,270,558
15									
16	Div 02 Accumulated Deferred Income Taxes	<u>\$441,883,925</u>			<u>\$ 22,876,861</u>	<u>\$459,787,326</u>			<u>\$ 23,803,742</u>
17									
DIVISION 12									
18	Account 190 - Accumulated Deferred Income Taxes	\$ 68,526	10.95%	51.52%	\$ 3,866	\$ 40,821	10.95%	51.52%	\$ 2,303
19									
20	Account 282 - Accumulated Deferred Income Taxes	(16,037,376)	10.95%	51.52%	(904,703)	(16,714,664)	10.95%	51.52%	(942,911)
21									
22	Account 283 - Accumulated Deferred Income Taxes - Other	0	10.95%	51.52%	0	0	10.95%	51.52%	0
23									
24	Div 012 Accumulated Deferred Income Taxes	<u>\$ (15,968,850)</u>			<u>\$ (900,838)</u>	<u>\$ (16,673,843)</u>			<u>\$ (940,608)</u>
25									
DIVISION 91									
27	Account 190 - Accumulated Deferred Income Taxes	\$ 1,746,795	100%	49.78%	\$ 869,555	\$ 1,631,264	100%	49.78%	\$ 812,043
28									
29	Account 255 - Accumulated Deferred Investment Tax Credits	0	100%	49.78%	0	0	100%	49.78%	0
30									
31	Account 282 - Accumulated Deferred Income Taxes	(745,483)	100%	49.78%	(371,101)	(1,506,488)	100%	49.78%	(749,930)
32									
33	Account 283 - Accumulated Deferred Income Taxes - Other	(886,040)	100%	49.78%	(441,071)	(879,123)	100%	49.78%	(437,627)
34									
35	Div 91 Accumulated Deferred Income Taxes	<u>\$ 115,272</u>			<u>\$ 57,383</u>	<u>\$ (754,347)</u>			<u>\$ (375,514)</u>
36									
37	Total Deferred Inc. Taxes and Investment Tax Credits	<u>\$354,052,380</u>			<u>\$ (49,944,561)</u>	<u>\$378,539,379</u>			<u>\$ (41,332,137)</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Deferred Credits and Accumulated Deferred Income Taxes
 as of March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference No(s).

FR 16(8)(b)5
 Sch. B-5 F
 Witness: Waller, Story

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
DIVISION 09									
1	Account 190 - Accumulated Deferred Income Taxes	\$ 8,610,101	100%	100%	\$ 8,610,101	\$ 8,667,731	100%	100%	\$ 8,667,731
2									
3	Account 282 - Accumulated Deferred Income Taxes	(84,778,102)	100%	100%	(84,778,102)	(83,737,702)	100%	100%	(83,737,702)
4									
5	Account 283 - Accumulated Deferred Income Taxes - Other	(47,285)	100%	100%	(47,285)	(47,285)	100%	100%	(47,285)
6									
7	Div 09 Accumulated Deferred Income Taxes	<u>\$ (76,215,286)</u>			<u>\$ (76,215,286)</u>	<u>\$ (75,117,257)</u>			<u>\$ (75,117,257)</u>
8									
9	DIVISION 02								
10	Account 190 - Accumulated Deferred Income Taxes	\$437,021,385	10.40%	49.78%	\$ 22,625,122	\$ 437,021,385	10.40%	49.78%	\$ 22,625,122
11									
12	Account 282 - Accumulated Deferred Income Taxes	(20,513,590)	10.40%	49.78%	(1,062,013)	(20,293,357)	10.40%	49.78%	(1,050,611)
13									
14	Account 283 - Accumulated Deferred Income Taxes - Other	24,564,904	10.40%	49.78%	1,271,755	24,564,904	10.40%	49.78%	1,271,755
15									
16	Div 02 Accumulated Deferred Income Taxes	<u>\$441,072,699</u>			<u>\$ 22,834,863</u>	<u>\$ 441,292,932</u>			<u>\$ 22,846,265</u>
17	DIVISION 12								
18	Account 190 - Accumulated Deferred Income Taxes	\$ 68,526	10.95%	51.52%	\$ 3,866	\$ 68,526	10.95%	51.52%	\$ 3,866
19									
20	Account 282 - Accumulated Deferred Income Taxes	(14,837,353)	10.95%	51.52%	(837,007)	(15,109,097)	10.95%	51.52%	(852,337)
21									
22	Account 283 - Accumulated Deferred Income Taxes - Other	0	10.95%	51.52%	0	0	10.95%	51.52%	0
23									
24	Div 012 Accumulated Deferred Income Taxes	<u>\$ (14,768,827)</u>			<u>\$ (833,142)</u>	<u>\$ (15,040,571)</u>			<u>\$ (848,471)</u>
25	DIVISION 91								
26	Account 190 - Accumulated Deferred Income Taxes	\$ 1,746,795	100%	49.78%	\$ 869,555	\$ 1,746,795	100%	49.78%	\$ 869,555
27									
28	Account 255 - Accumulated Deferred Investment Tax Credits	0	100%	49.78%	0	0	100%	49.78%	0
29									
30	Account 282 - Accumulated Deferred Income Taxes	(723,999)	100%	49.78%	(360,407)	(724,930)	100%	49.78%	(360,870)
31									
32	Account 283 - Accumulated Deferred Income Taxes - Other	(886,040)	100%	49.78%	(441,071)	(886,040)	100%	49.78%	(441,071)
33									
34	Div 91 Accumulated Deferred Income Taxes	<u>\$ 136,756</u>			<u>\$ 68,077</u>	<u>\$ 135,825</u>			<u>\$ 67,614</u>
35									
36									
37	Total Deferred Inc. Taxes and Investment Tax Credits	<u>\$350,225,343</u>			<u>\$ (54,145,487)</u>	<u>\$ 351,270,929</u>			<u>\$ (53,051,850)</u>
38	<i>(excluding forecasted change in NOLC)</i>								
39	Forecasted Change in NOLC								1,724,944
40									
41	Forecasted 13-month Average ADIT in Rate Base								<u>(51,326,905)</u>
42									

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Deferred Credits and Accumulated Deferred Income Taxes
 as of March 31, 2020

Data: ___ Base Period ___ X ___ Forecasted Period
 Type of Filing: ___ X ___ Original ___ Updated
 Workpaper Reference No(s).

FR 16(8)(b)5
 Sch. B-5 F
 Witness: Waller, Story

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
43	Calculation of Change in NOLC								
44	(from 13-month average Base Period to 13-month average Forecasted Period)								
45				Schedule					
46	Forecasted Test Period			Reference					
47									
48	13-month average Rate Base			B.1 F		495,967,913			
49									
50	Required Operating Income			A.1		39,429,449			
51									
52	Interest Deduction			E.1		9,365,025			
53									
54	Return on Equity Portion of Rate Base			line 50 - line 52		30,064,424			
55									
56	Return, grossed up for Income Tax	24.95%		Line 54 / (1-tax rate)		40,059,193			
57									
58	Tax Expense on Return	24.95%		Line 56 x tax rate		9,994,769			
59									
60	Change In ADIT, excluding forecasted change in NOLC			Line 37; B.5 B		(11,719,713)			
61	Required Change in NOLC					1,724,944		0	
62									
63	Total Required Change in Accumulated Deferred Income Taxes¹			B.1 F; B.1 B		(9,994,769)			
64									
65									
66	ADIT Reconciliation								
67	Avg ADIT, Base Period			B.5 B		(41,332,137)			
68									
69	13-Month Average ADIT, Forecasted Period, excl, Change in NOLC			Line 37		(53,051,850)			
70	Change in NOLC			Line 39		1,724,944			
71	Forecasted 13-month Average ADIT in Rate Base					(51,326,905)			
72									
73	Total Required Change in Accumulated Deferred Income Taxes			Line 71 - Line 67		(9,994,769)			
74									
75									
76	¹ Because the Company is in a NOLC position, the total change in ADIT must equal the tax expenses included in revenue requirement								

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Customer Advances For Construction
 as of December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference No(s):

FR 16(8)(b)6
 Sch. B-6 B
 Witness: Waller

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
DIVISION 09									
1	15560 Account 252 - Customer Advances For Construction	\$ (747,234)	100%	100%	\$ (747,234)	\$ (750,999)	100%	100%	\$ (750,999)
2									
3	DIVISION 02								
4	15560 Account 252 - Customer Advances For Construction	-	10.40%	49.78%	-	-	10.40%	49.78%	-
5									
6	DIVISION 12								
7	15560 Account 252 - Customer Advances For Construction	-	10.95%	51.52%	-	-	10.95%	51.52%	-
8									
9	DIVISION 91								
10	15560 Account 252 - Customer Advances For Construction	-	100%	49.78%	-	-	100%	49.78%	-
11									
12	Total Account 252 - Customer Advances For Construction	<u>\$ (747,234)</u>			<u>\$ (747,234)</u>	<u>\$ (750,999)</u>			<u>\$ (750,999)</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Customer Advances For Construction
 as of March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference No(s):

FR 16(8)(b)6
 Sch. B-6 F
 Witness: Waller

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
DIVISION 09									
1	15560 Account 252 - Customer Advances For Construction	\$ (747,234)	100%	100%	\$ (747,234)	\$ (747,234)	100%	100%	\$ (747,234)
2									
3	DIVISION 02								
4	15560 Account 252 - Customer Advances For Construction	-	10.40%	49.78%	-	-	10.40%	49.78%	-
5									
6	DIVISION 12								
7	15560 Account 252 - Customer Advances For Construction	-	10.95%	51.52%	-	-	10.95%	51.52%	-
8									
9	DIVISION 91								
10	15560 Account 252 - Customer Advances For Construction	0	100%	49.78%	0	0	100%	49.78%	0
11									
12	Total Account 252 - Customer Advances For Construction	<u>\$ (747,234)</u>			<u>\$ (747,234)</u>	<u>\$ (747,234)</u>			<u>\$ (747,234)</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Base Period: Twelve Months Ended December 31, 2018
 Working Capital Components

FR 16(b)(b)4.1

Line No.	Description	actual Dec-17	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	forecasted Jul-18	Budgeted Aug-18	Budgeted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	13 Month Average
1	Materials & Supplies														
2															
3	Kentucky Direct (Div 009)														
4	Account 1540- Plant Materials and Operating Suppl	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Account 1630- Stores Expense Undistributed	\$ (270,187)	\$ (311,624)	\$ (344,284)	\$ (380,390)	\$ (401,617)	\$ (454,552)	\$ (520,275)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)
6	Total Materials & Supplies	\$ (270,187)	\$ (311,624)	\$ (344,284)	\$ (380,390)	\$ (401,617)	\$ (454,552)	\$ (520,275)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (391,975)
7															
8	KY/Mid-States General Office (Div 091)														
9	Account 1540- Plant Materials and Operating Suppl	\$ 76,068	\$ 76,068	\$ 76,068	\$ 76,068	\$ 76,068	\$ 64,640	\$ 64,640	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258
10	Account 1630- Stores Expense Undistributed	\$ 652,973	\$ 730,181	\$ 820,252	\$ 926,972	\$ 1,009,823	\$ 1,111,262	\$ 1,235,411	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317
11	Total Materials & Supplies	\$ 729,041	\$ 806,248	\$ 896,320	\$ 1,003,039	\$ 1,085,891	\$ 1,175,902	\$ 1,300,051	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,020,303
12															
13	Shared Services General Office (Div 002)														
14	Account 1540- Plant Materials and Operating Suppl	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Account 1630- Stores Expense Undistributed	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
16	Total Materials & Supplies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
17															
18	Shared Services Customer Support (Div 012)														
19	Account 1540- Plant Materials and Operating Suppl	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	Account 1630- Stores Expense Undistributed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Total Materials & Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22															
23	Gas Stored Underground- Account 1641														
24															
25	Kentucky Direct (Div 009)	\$18,751,570	\$14,268,078	\$10,938,434	\$ 6,984,757	\$ 7,706,386	\$ 9,950,295	\$12,189,929	\$ 9,883,670	\$13,510,047	\$ 17,108,213	\$ 20,718,002	\$17,989,771	\$13,798,753	\$13,215,223
26															
27	KY/Mid-States General Office (Div 091)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28															
29	Shared Services General Office (Div 002)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30															
31	Shared Services Customer Support (Div 012)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32															
33	Prepayments- Account 1650														
34															
35	Kentucky Direct (Div 009)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36															
37	KY/Mid-States General Office (Div 091)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38															
39	Shared Services General Office (Div 002)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40															
41	Shared Services Customer Support (Div 012)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Forecasted Test Period: Twelve Months Ended March 31, 2020
 Working Capital Components

FR 16(8)(b)4.1

Line No.	Description	Budgeted Mar-19	Budgeted Apr-19	Budgeted May-19	Budgeted Jun-19	Budgeted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	13 Month Average
1	Materials & Supplies														
2															
3	Kentucky Direct (Div 009)														
4	Account 1540- Plant Materials and Operating Suppl	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Account 1630- Stores Expense Undistributed	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)
6	Total Materials & Supplies	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)	\$ (402,124)
7															
8	KY/Mid-States General Office (Div 091)														
9	Account 1540- Plant Materials and Operating Suppl	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258	\$ 72,258
10	Account 1630- Stores Expense Undistributed	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317	\$ 972,317
11	Total Materials & Supplies	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575	\$ 1,044,575
12															
13	Shared Services General Office (Div 002)														
14	Account 1540- Plant Materials and Operating Suppl	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Account 1630- Stores Expense Undistributed	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
16	Total Materials & Supplies	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
17															
18	Shared Services Customer Support (Div 012)														
19	Account 1540- Plant Materials and Operating Suppl	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	Account 1630- Stores Expense Undistributed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Total Materials & Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22															
23	Gas Stored Underground- Account 1641														
24															
25	Kentucky Direct (Div 009)	\$ (2,287,953)	\$ 988,506	\$ 4,223,799	\$ 7,495,416	\$ 10,805,777	\$ 14,118,560	\$ 17,407,128	\$ 20,715,068	\$ 18,044,748	\$ 13,969,373	\$ 8,809,436	\$ 3,257,935	\$ (1,769,904)	\$ 8,905,991
26															
27	KY/Mid-States General Office (Div 091)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28															
29	Shared Services General Office (Div 002)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30															
31	Shared Services Customer Support (Div 012)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32															
33	Prepayments- Account 1650														
34															
35	Kentucky Direct (Div 009)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36															
37	KY/Mid-States General Office (Div 091)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38															
39	Shared Services General Office (Div 002)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40															
41	Shared Services Customer Support (Div 012)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Deferred Credits and Accumulated Deferred Income Taxes

Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(b)(5)
 WP B-5 B

Line No.	Sub Acct	actual Dec-17	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	forecast Jul-18	forecast Aug-18	forecast Sep-18	forecast Oct-18	forecast Nov-18	forecast Dec-18	13 month Average	
DIVISION 09																
1	Account 190 - Accumulated Deferred Income Taxes	\$ 10,404,258	\$ 10,404,258	\$ 10,404,258	\$ 9,114,435	\$ 9,114,435	\$ 9,114,435	\$ 9,028,253	\$ 9,000,279	\$ 8,972,305	\$ 8,944,330	\$ 8,916,356	\$ 8,888,392	\$ 8,860,408	\$ 9,320,492	
2																
3	Account 282 - Accumulated Deferred Income Taxes	(66,268,035)	(66,268,035)	(66,268,035)	(70,393,298)	(70,393,298)	(70,393,298)	(71,332,054)	(73,997,402)	(76,309,391)	(78,668,744)	(79,313,578)	(80,049,271)	(80,791,090)	(73,111,195)	
4																
5	Account 283 - Accumulated Deferred Income Taxes - Other	(7,784)	(7,784)	(7,784)	(7,784)	(7,784)	(7,784)	(7,784)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(29,054)	
6																
7	Div 09 Accumulated Deferred Income Taxes	\$ (55,871,561)	\$ (55,871,561)	\$ (55,871,561)	\$ (61,286,647)	\$ (61,286,647)	\$ (61,286,647)	\$ (62,351,085)	\$ (65,044,408)	\$ (67,384,372)	\$ (69,771,699)	\$ (70,444,507)	\$ (71,208,174)	\$ (71,977,967)	\$ (63,819,757)	
8																
9	DIVISION 02															
10	Account 180 - Accumulated Deferred Income Taxes	\$504,522,022	\$504,522,022	\$504,522,022	\$440,605,947	\$440,605,947	\$440,605,947	\$437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$437,021,385	\$ 453,425,662	
11																
12	Account 282 - Accumulated Deferred Income Taxes	(17,021,092)	(17,021,092)	(17,021,092)	(17,345,030)	(17,345,030)	(17,345,030)	(17,761,671)	(18,332,471)	(18,821,962)	(19,468,077)	(19,536,914)	(19,619,729)	(19,702,364)	(18,180,120)	
13																
14	Account 283 - Accumulated Deferred Income Taxes - Other	31,202,176	24,066,828	21,481,062	25,953,642	21,574,355	22,808,808	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,541,784	
15																
16	Div 02 Accumulated Deferred Income Taxes	\$ 518,703,106	\$ 511,569,756	\$ 508,981,992	\$ 449,214,559	\$ 444,835,272	\$ 446,089,725	\$ 443,824,618	\$ 443,253,816	\$ 442,784,326	\$ 442,119,212	\$ 442,049,374	\$ 441,966,680	\$ 441,883,925	\$ 459,787,326	
17																
18	DIVISION 12															
19	Account 190 - Accumulated Deferred Income Taxes	\$ 6,868	\$ 6,868	\$ 6,866	\$ 10,129	\$ 10,129	\$ 10,129	\$ 88,526	\$ 68,526	\$ 68,526	\$ 68,526	\$ 68,526	\$ 68,526	\$ 68,526	\$ 40,821	
20																
21	Account 282 - Accumulated Deferred Income Taxes	(17,234,236)	(17,234,236)	(17,234,236)	(16,885,721)	(16,885,721)	(16,885,721)	(16,728,471)	(16,674,329)	(16,579,397)	(16,436,786)	(16,303,796)	(16,170,612)	(16,037,376)	(16,714,664)	
22																
23	Account 283 - Accumulated Deferred Income Taxes - Other	0	0	0	0	0	0	0	0	0	0	0	0	0	-	
24																
25	Div 012 Accumulated Deferred Income Taxes	\$ (17,227,368)	\$ (17,227,368)	\$ (17,227,368)	\$ (16,875,592)	\$ (16,875,592)	\$ (16,875,592)	\$ (16,859,945)	\$ (16,805,803)	\$ (16,510,871)	\$ (16,368,280)	\$ (16,235,270)	\$ (16,102,986)	\$ (15,968,850)	\$ (16,673,843)	
26																
27	DIVISION 91															
28	Account 190 - Accumulated Deferred Income Taxes	\$ 970,543	\$ 970,543	\$ 970,543	\$ 2,022,414	\$ 2,022,414	\$ 2,022,414	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,631,264	
29																
30	Account 282 - Accumulated Deferred Income Taxes	(4,082,724)	(4,082,724)	(4,082,724)	(727,963)	(727,963)	(727,963)	(719,976)	(725,287)	(730,598)	(735,910)	(748,196)	(746,839)	(745,483)	(1,506,488)	
31																
32	Account 283 - Accumulated Deferred Income Taxes - Other	(894,648)	(894,648)	(894,648)	(847,457)	(847,457)	(847,457)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(879,123)	
33																
34	Account 255 - Accumulated Deferred Investment Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	-	
35																
36	Div 91 Accumulated Deferred Income Taxes	\$ (4,006,829)	\$ (4,006,829)	\$ (4,006,829)	\$ 448,994	\$ 446,994	\$ 446,994	\$ 140,779	\$ 135,488	\$ 130,157	\$ 124,845	\$ 112,559	\$ 113,916	\$ 115,272	\$ (754,347)	
37																
	Total	\$ 441,597,346	\$ 434,463,997	\$ 431,876,234	\$ 371,499,314	\$ 367,120,027	\$ 368,354,480	\$ 364,954,366	\$ 361,739,074	\$ 358,999,240	\$ 356,103,096	\$ 355,482,156	\$ 354,770,216	\$ 354,052,380	\$ 378,539,379	

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2016-00281
 Deferred Credits and Accumulated Deferred Income Taxes
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Date: _____ Base Period: X _____ Forecasted Period
 Type of Filing: X _____ Original _____ Updated _____ Revised _____
 Worksheet Reference No(s):

FR 1616(b)5
 Sched. B-5

Line No.	Sub Account	Budgeted Mar-19	Budgeted Apr-19	Budgeted May-19	Budgeted Jun-19	Budgeted Jul-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	13 month Average
DIVISION 09														
1	Account 190 - Accumulated Deferred Income Taxes	\$ 8,776,485	\$ 8,749,796	\$ 8,725,472	\$ 8,703,434	\$ 8,683,761	\$ 8,651,430	\$ 8,638,772	\$ 8,628,402	\$ 8,620,395	\$ 8,614,752	\$ 8,611,245	\$ 8,610,101	\$ 8,687,731
2	Account 282 - Accumulated Deferred Income Taxes	(62,061,168)	(62,464,468)	(62,801,656)	(63,103,565)	(63,392,421)	(63,602,023)	(63,808,342)	(64,375,862)	(64,592,543)	(64,713,163)	(64,764,417)	(64,778,102)	(63,737,702)
3	Account 283 - Accumulated Deferred Income Taxes - Other	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)
4														
5														
6														
7	DIV 09 Accumulated Deferred Income Taxes	\$ (73,351,968)	\$ (73,761,957)	\$ (74,123,472)	\$ (74,447,416)	\$ (74,755,945)	\$ (75,023,168)	\$ (75,256,855)	\$ (75,794,759)	\$ (76,019,433)	\$ (76,145,716)	\$ (76,200,458)	\$ (76,215,286)	\$ (75,117,257)
8														
DIVISION 02														
10	Account 190 - Accumulated Deferred Income Taxes	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385	\$ 437,021,385
11	Account 282 - Accumulated Deferred Income Taxes	(19,946,903)	(20,027,244)	(20,098,449)	(20,162,840)	(20,220,246)	(20,314,455)	(20,373,734)	(20,423,372)	(20,462,224)	(20,490,123)	(20,507,753)	(20,513,590)	(20,283,357)
12	Account 283 - Accumulated Deferred Income Taxes - Other	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904
13														
14														
15														
16	DIV 02 Accumulated Deferred Income Taxes	\$ 441,637,385	\$ 441,559,044	\$ 441,487,539	\$ 441,423,448	\$ 441,366,041	\$ 441,315,565	\$ 441,271,835	\$ 441,162,917	\$ 441,124,055	\$ 441,086,168	\$ 441,078,535	\$ 441,072,699	\$ 441,292,932
17	Account 190 - Accumulated Deferred Income Taxes	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526	\$ 66,526
18	Account 282 - Accumulated Deferred Income Taxes	(15,634,977)	(15,505,027)	(15,366,303)	(15,278,585)	(15,182,293)	(15,023,889)	(14,968,938)	(14,920,220)	(14,864,094)	(14,858,518)	(14,842,568)	(14,837,353)	(15,109,097)
19	Account 283 - Accumulated Deferred Income Taxes - Other	-	-	-	-	-	-	-	-	-	-	-	-	-
20														
21														
22														
23														
24	DIV 02 Accumulated Deferred Income Taxes	\$ (15,568,451)	\$ (15,436,501)	\$ (15,317,777)	\$ (15,210,059)	\$ (15,113,757)	\$ (14,955,363)	\$ (14,898,412)	\$ (14,851,694)	\$ (14,815,568)	\$ (14,789,922)	\$ (14,774,042)	\$ (14,768,827)	\$ (15,040,571)
25														
DIVISION 81														
27	Account 190 - Accumulated Deferred Income Taxes	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795	\$ 1,746,795
28	Account 282 - Accumulated Deferred Income Taxes	(727,874)	(726,497)	(725,241)	(724,104)	(723,089)	(721,420)	(720,004)	(720,534)	(720,171)	(720,516)	(724,051)	(723,999)	(724,930)
29	Account 283 - Accumulated Deferred Income Taxes - Other	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)
30														
31														
32														
33	Account 255 - Accumulated Deferred Investment Tax Credits	-	-	-	-	-	-	-	-	-	-	-	-	-
34														
35	DIV 81 Accumulated Deferred Income Taxes	\$ 132,881	\$ 134,258	\$ 135,514	\$ 136,651	\$ 137,656	\$ 138,335	\$ 138,751	\$ 139,221	\$ 139,584	\$ 139,839	\$ 139,704	\$ 139,785	\$ 139,825
36														
37	Total	\$ 352,851,847	\$ 352,454,843	\$ 352,182,104	\$ 351,902,625	\$ 351,633,996	\$ 351,421,933	\$ 351,257,929	\$ 350,650,678	\$ 350,423,648	\$ 350,295,928	\$ 350,240,740	\$ 350,225,343	\$ 351,270,929

Almos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020
 Deferred Liability Amortization

ADIT Excess Deferred Liabilities
 Account 2530 - 27989

	Regulatory Liability Balance	Amortization Expense
Mar-19	(33,781,756)	
Apr-19	(33,684,788)	121,981
May-19	(33,586,180)	121,981
Jun-19	(33,481,698)	121,981
Jul-19	(33,375,377)	121,981
Aug-19	(33,299,615)	121,981
Sep-19	(33,233,679)	121,981
Oct-19	(33,178,203)	121,981
Nov-19	(33,132,752)	121,981
Dec-19	(33,087,682)	121,981
Jan-20	(33,072,932)	121,981
Feb-20	(33,057,558)	121,981
Mar-20	(33,052,546)	121,981
(13 Month Average)	(33,305,119)	1,463,766

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Deferred Credits
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(b)(6)
 Sched. B-6

Line No.	Sub Acct	actual Dec-17	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	Budgeted Jul-18	Budgeted Aug-18	Budgeted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	13 month Average
DIVISION 09															
1	Account 252 - Customer Advances For Construction	(796,178)	(785,154)	(784,132)	(786,032)	(714,675)	(707,427)	(705,985)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(750,999)
2															
DIVISION 02															
4	15560 Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5															
DIVISION 12															
7	15560 Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8															
DIVISION 91															
10	15560 Account 252 - Customer Advances For Construction	0	0	0	0	0	0	0	-	-	-	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Deferred Credits
 Base Period: Twelve Months Ended December 31, 2018

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

FR 16(b)(b)5
 Sched. B-5

Line No.	Sub Acct	Budgeted Mar-19	Budgeted Apr-19	Budgeted May-19	Budgeted Jun-19	Budgeted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	13 month Average
DIVISION 09															
1	Account 252 - Customer Advances For Construction	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)
DIVISION 02															
4	15560 Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	0
DIVISION 12															
7	15560 Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	0
DIVISION 91															
10	15560 Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	0

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(c). SCHEDULE C

Operating Income Summary

Schedule	Pages	Description
C-1	1	Operating Income Summary
C-2	1	Adjusted Operating Income
C-2.1	10	Operating Revenue and Expenses by FERC Account
C-2.2	10	Monthly Operating Income by FERC Account
C-2.3	2	Taxes Other than Income Tax by Sub-Account

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Operating Income Summary
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s). FR 16(8)(c)1
 Schedule C-1
 Witness: Waller, Densman

Line No.	Description	Base Return at Current Rates	Forecasted Return at Current Rates	Proposed Increase	Forecasted Return at Proposed Rates
1	Operating Revenue	\$ 173,370,897	\$ 169,717,866	\$ 15,973,418	\$ 185,691,284
2	Operating Expenses				
3	Purchased Gas Cost	83,882,422	78,382,354		78,382,354
4	Other O & M Expenses	28,531,137	27,221,546	79,867	27,301,413
5	Depreciation Expense	20,643,162	23,102,096		23,102,096
6	Taxes Other than Income	6,491,574	7,449,243	31,947	7,481,190
7					
8	State & Federal Income Taxes	6,320,960	6,037,302	3,957,470	9,994,772
9	Total Operating Expenses	<u>\$ 145,869,253</u>	<u>\$ 142,192,541</u>	<u>\$ 4,069,284</u>	<u>\$ 146,261,825</u>
10	Operating Income	<u>\$ 27,501,643</u>	<u>\$ 27,525,325</u>	<u>\$ 11,904,134</u>	<u>\$ 39,429,459</u>
11	Rate Base	414,053,383	495,967,913		495,967,913
12	Rate of Return	6.64%	5.55%		7.95%

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Adjusted Operating Income Statement
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(c)2
 Schedule C-2
 Witness: Waller, Densman

Line No.	Major Group Classification	Base Year Revenue & Expenses	Utility budget Adjustments	Sched Ref.	SSU Billing Adjs	Sched Ref.	Forecasted Revenue & Expenses	Ratemaking Adjustments	Sched Ref.	Test Year Rev. & Exp. Adjusted
1	Operating Revenue	\$ 173,370,897	\$ (3,653,031)	D-1			\$ 169,717,866	\$ -		\$ 169,717,866
2										
3	Operating Expenses									
4	Purchased Gas Cost	83,882,422	(5,500,067)	D-1			78,382,354	-		78,382,354
5	Production O&M Expense	-	-	D-1			-	-		-
6	Storage O&M Expense	539,683	(50,769)	D-1			488,914	-		488,914
7	Transmission O&M Expense	441,601	(31,498)	D-1			410,103	-		410,103
8	Distribution O&M Expense	8,276,854	(931,313)	D-1		*	7,345,541	(3,435)	AG DR. No 1-57	7,342,106
9	Customer Accting. & Collection	2,960,697	(313,797)	D-1		*	2,646,900	-		2,646,900
10	Customer Service & Information	129,523	(1,251)	D-1		*	128,272	-		128,272
11	Sales Expense	440,892	(36,317)	D-1		*	404,575	(196,297)	F-4	208,278
12	Admin. & General Expense	15,741,887	1,848,941	D-1		*	17,590,829	(1,593,854)	F-6, F-8, F-9, F-10, F-11	15,996,974
13	Depreciation Expense	20,643,162	2,458,934	D-1			23,102,096	-		23,102,096
14	Taxes - Other	6,491,574	1,020,263	D-1			7,511,837	(62,594)	F-10	7,449,243
15	Income Taxes	6,320,960	(283,658)				6,037,302	-		6,037,302
16										
17										
18	Total Operating Expenses	\$ 145,869,253	\$ (1,820,532)			\$ -	\$ 144,048,722	\$ (1,856,181)		\$ 142,192,541
19										
20	Net Operating Income	\$ 27,501,643	\$ (1,832,499)			\$ -	\$ 25,669,144	\$ 1,856,181		\$ 27,525,325

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Operating Revenue and Expenses by FERC Account
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period _____ Forecasted Period _____ FR 16(8)(c)2.1
 Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 B
 Workpaper Reference No(s). _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
1		<u>OPERATING REVENUE</u>	
2		<u>Sales of Gas</u>	
3	4800	Residential	\$ 106,055,302
4	4805	Unbilled Residential	(6,909,256)
5	4811	Commercial	45,531,133
6	4812	Industrial	6,051,221
7	4815	Unbilled Commercial	(2,646,350)
8	4816	Unbilled Industrial	(203,688)
9	4820	Other - Public Authority	7,513,898
10	4825	Unbilled Public Authority	(571,784)
11		Total Sales of Gas	<u>\$ 154,820,476</u>
12			
13		<u>Other Operating Income</u>	
14	4870	Forfeited Discounts	\$ 1,388,389
15	4880	Misc. Service Revenues	792,006
16	4893	Revenue From Transportation of Gas of Others	17,013,346
17	4950	Other Gas Revenue	1,148,568
	4960	Provision for Rate Refunds	(1,791,888)
18		Total Other Operating Income	<u>\$ 18,550,421</u>
19			
20		TOTAL OPERATING REVENUE	\$ 173,370,897
21			
22		<u>OPERATING EXPENSES</u>	
23		<u>Production Expense - Operation</u>	
24	7560	Ng. Field Meas. & Reg. Station	-
25	7590	Production and gathering-Other	-
26		Total Production Expense - Operation	<u>\$ -</u>
27			
28		<u>Production Expense - Maintenance</u>	
29	7610	Ng Main. Supervision & Engineering	<u>\$ -</u>
30			\$ -
31		<u>Natural Gas Storage Expense - Operation</u>	
32	8140	Operation Supervision & Engineering	\$ -
33	8150	Maps and Records	-
34	8160	Wells Expense	326,734

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Operating Revenue and Expenses by FERC Account
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period _____ Forecasted Period _____ FR 16(8)(c)2.1
 Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 B
 Workpaper Reference No(s). _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
35	8170	Lines Expense	22,639
36	8180	Compressor Station Expense	28,860
37	8190	Compressor Station Expense Fuel & Power	879
38	8200	Measuring & Regulating Station Expense	6,847
39	8210	Purification	54,469
40	8240	Other	-
41	8250	Storage Well Royalties	10,451
42		Total Nat. Gas Storage Expense - Operation	\$ 450,879
43			
44		<u>Natural Gas Storage Expense - Maintenance</u>	
45	8310	Structure & Improvements	\$ 13,541
46	8320	Reservoirs & Wells	-
47	8340	Compressor Station Equip.	3,463
48	8350	Measuring & Regulating Station Equip.	-
49	8360	Purification Equipment	-
50	8370	Maintenance of other equipment	-
51	840/847	Other Storage Exp. - LNG	71,800
52		Total Nat. Gas Storage Expense - Maintenance	\$ 88,804
53			
54		<u>Transmission Expense - Operation</u>	
55	8500	Operation Supervision & Engineering	\$ 47
56	8520	Communication system expenses	-
57	8550	Other fuel & power for compression	368
58	8560	Mains Expense	395,189
59	8570	Measuring & Regulating Station Exp.	29,427
60	8590	Other Exp.	-
61	8600	Rents	-
62		Total Transmission Expense - Operation	\$ 425,031
63			
64		<u>Transmission Expense - Maintenance</u>	
65	8620	Structures and Improvements	\$ -
66	8630	Mains	16,570
67	8640	Compressor Station Equipment	-
68	8650	Measuring & Reg Station Equip.	-
69	8670	Other Equipment	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data: Base Period _____ Forecasted Period _____ FR 16(8)(c)2.1
Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 B
Workpaper Reference No(s). _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
70		Total Transmission Expense - Maintenance	\$ 16,570
71			
72		<u>Purchased Gas Cost - Operation</u>	
73	8001	Intercompany Gas Well-head Purchases	\$ -
74	8010	Natural gas field line purchases	61,223
75	8040	Natural Gas City Gate Purchases	49,880,163
76	8045	Transportation to City Gate	-
77	8050	Transmission-Operation supervision and engineering	(8,061)
78	8051	Other Gas Purchases / Gas Cost Adjustments	50,104,362
79	8052	PGA for Commercial	25,635,855
80	8053	PGA for Industrial	4,973,887
81	8054	PGA for Public Authority	4,760,332
82	8057	PGA for Transportation Sales	-
83	8058	Unbilled PGA Costs	(1,575,262)
84	8059	PGA Offset to Unrecovered Gas Cost	(73,114,227)
85	8060	Exchange Gas	(1,145,172)
86	8081	Gas Withdrawn From Storage - Debit	13,684,989
87	8082	Gas Delivered to Storage	(12,177,639)
88	8110	Gas used for products extraction-Credit	-
89	8120	Gas Used for Other Utility Operations	(16,752)
90	8130	Gas Used for Other Utility Operations	-
91	8580	Transmission and compression of gas by others	22,818,724
92		<u>Total Purchased Gas Cost</u>	\$ 83,882,422
93			
94		<u>Distribution Expenses - Operation</u>	
95	8700	Supervision and Engineering	\$ 1,452,843
96	8710	Distribution Load Dispatching	792
97	8711	Odorization	26,727
98	8720	Compressor Station Labor & Expenses	-
99	8740	Mains & Services	4,585,210
100	8750	Measuring and Regulating Station Exp. - Gen	618,282
101	8760	Measuring and Regulating Station Exp. - Ind.	125,801
102	8770	Measuring and Regulating Sta. Exp. - City Gate	45,140
103	8780	Meters and House Regulator Expense	848,813
104	8790	Customer Installations Expense	3,009

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data: Base Period _____ Forecasted Period _____ FR 16(8)(c)2.1
Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 B
Workpaper Reference No(s). _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
105	8800	Other Expense	5,729
106	8810	Rents	443,578
107		Total Distribution Expenses - Operation	\$ 8,155,925
108			
109		<u>Distribution Expenses - Maintenance</u>	
110	8850	Supervision and Engineering	\$ 1,232
111	8860	Structures and Improvements	131
112	8870	Mains	30,074
113	8890	Measuring and Regulating Station Exp. - Gen	71,786
114	8900	Measuring and Regulating Station Exp. - Ind.	2,114
115	8910	Measuring and Regulating Sta. Exp. - City Gate	950
116	8920	Services	6,794
117	8930	Meters and House Regulators	-
118	8940	Other Equipment	7,847
119	8950	Maintenance of Other Plant	-
120		Total Distribution Expenses - Maintenance	\$ 120,929
121			
122		<u>Customer Accounts Expenses - Operation</u>	
123	9010	Supervision	\$ -
124	9020	Meter Reading Expenses	1,127,896
125	9030	Customer Records & Collections	1,283,457
126	9040	Uncollectible Accounts	549,343
127		Total Customer Accounts Expense	\$ 2,960,697
128			
129		<u>Customer Service & Information - Operation</u>	
130	9070	Supervision	\$ -
131	9080	Customer Assistance Expenses	-
132	9090	Informational and Instructional Advertising Expenses	129,523
133	9100	Misc Cust Serv & Informational Exp	-
134		Total Customer Accounts Expenses - Operation	\$ 129,523
135			
136		<u>Sales Expense</u>	
137	9110	Supervision	\$ 253,382
138	9120	Demonstrating and Selling Expenses	143,981
139	9130	Advertising Expenses	43,530

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data: Base Period _____ Forecasted Period _____ FR 16(8)(c)2.1
Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 B
Workpaper Reference No(s). _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
140	9160	Miscellaneous Sales Expenses	-
141		Total Sales Expenses	\$ 440,892
142			
143		<u>Administrative and General Expenses - Operation</u>	
144	9200	Administrative and General Salaries	\$ 132,956
145	9210	Office Supplies and Expenses	19,311
146	9220	Administrative Expense Transferred	13,030,745
147	9230	Outside Services Employed	359,911
148	9240	Property Insurance	88,358
149	9250	Injuries and Damages	79,906
150	9260	Employee Pensions and Benefits	1,821,264
151	9270	Franchise Requirements	800
152	9280	Regulatory Commission Expense	92,766
153	930.2	Miscellaneous General Expense	83,791
154	9310	A&G-Rents	\$ 13,266
155		Total Administrative and General Exp. - Operation	\$ 15,723,075
156			
157		<u>Administrative and General Expense - Maintenance</u>	
158	9320	Maintenance of general plant	\$ 18,812
159		Total Administrative and Gen. Exp. - Maintenance	\$ 18,812
160			
161		<u>Total Operation and Maintenance Expense</u>	<u>\$ 112,413,558</u>
162			
163	403	Depreciation	\$ 20,643,162
164	406	Amortization	\$ 24,559
165	4081	Taxes Other than Income Taxes	6,491,574
166	4091-4101	Provision for Federal & State Income Taxes	6,320,960
167			
168		TOTAL OPERATING EXPENSE (incl Gas Cost)	<u>\$ 145,893,812</u>
169			
170		NET OPERATING INCOME	<u>\$ 27,477,085</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Operating Revenue and Expenses by FERC Account
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period _____ FR 16(8)(c)2.1
 Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 F
 Workpaper Reference No(s): _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
1		<u>OPERATING REVENUE</u>	
2		<u>Sales of Gas</u>	
3	4800	Residential	\$ 96,519,490
4	4811	Commercial	41,608,020
5	4812	Industrial	5,370,385
6	4820	Other - Public Authority	6,749,807
7		Total Sales of Gas	<u>\$ 150,247,702</u>
8			
9		<u>Other Operating Income</u>	
10	4870	Forfeited Discounts	\$ 1,304,965
11	4880	Misc. Service Revenues	806,054
12	4893-4896	Revenue From Transportation of Gas of Others	14,881,382
13	4950	Other Gas Revenue	2,477,763
14		Total Other Operating Income	<u>\$ 19,470,164</u>
15			
16		TOTAL OPERATING REVENUE	\$ 169,717,866
17			
18		<u>OPERATING EXPENSES</u>	
19		<u>Production Expense - Operation</u>	
20	7560	Ng. Field Meas. & Reg. Station	-
21	7590	Production and gathering-Other	0
22		Total Production Expense - Operation	<u>\$ -</u>
23			
24		<u>Production Expense - Maintenance</u>	
25	7610	Ng. Main. Supervision & Engineering	\$ -
26			\$ -
27		<u>Natural Gas Storage Expense - Operation</u>	
28	8140	Operation Supervision & Engineering	\$ -
29	8150	Maps and Records	-
30	8160	Wells Expense	291,917
31	8170	Lines Expense	21,251
32	8180	Compressor Station Expense	25,060
33	8190	Compressor Station Expense Fuel & Power	735
34	8200	Measuring & Regulating Station Expense	6,181
35	8210	Purification	49,856
36	8240	Other	-
37	8250	Storage Well Royalties	8,763
38		Total Nat. Gas Storage Expense - Operation	<u>\$ 403,764</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Operating Revenue and Expenses by FERC Account
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period _____ FR 16(8)(c)2.1
 Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 F
 Workpaper Reference No(s). _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
39			
40		<u>Natural Gas Storage Expense - Maintenance</u>	
41	8310	Structure & Improvements	\$ 12,736
42	8320	Reservoirs & Wells	-
43	8340	Compressor Station Equip.	3,331
44	8350	Measuring & Regulating Station Equip.	-
45	8360	Purification Equipment	-
46	8370	Maintenance of other equipment	-
47	841/847	Other Storage Exp. - LNG	69,083
48		Total Nat. Gas Storage Expense - Maintenance	\$ 85,150
49			
50		<u>Transmission Expense - Operation</u>	
51	8500	Operation Supervision & Engineering	\$ 35
52	8520	Communication system expenses	-
53	8550	Other Fuel & Power for Compression	308
54	8560	Mains Expense	366,202
55	8570	Measuring & Regulating Station Exp.	27,278
56	8590	Other Exp.	0
57	8600	Rents	0
58		Total Transmission Expense - Operation	\$ 393,823
59			
60		<u>Transmission Expense - Maintenance</u>	
61	8620	Structures and Improvements	\$ -
62	8630	Mains	16,280
63	8640	Compressor Station Equipment	-
64	8650	Measuring & Reg Station Equip.	-
65	8670	Other Equipment	-
66		Total Transmission Expense - Maintenance	\$ 16,280
67			
68		<u>Purchased Gas Cost - Operation</u>	
69	8001	Intercompany Gas Well-head Purchases	\$ -
70	8010	Natural gas field line purchases	61,240
71	8040	Natural Gas City Gate Purchases	51,401,318
72	8045	Transportation to City Gate	0
73	8050	Transmission-Operation supervision and engineering	(7,602)
74	8051	Other Gas Purchases / Gas Cost Adjustments	47,517,427
75	8052	PGA for Commercial	24,564,311
76	8053	PGA for Industrial	4,854,142
77	8054	PGA for Public Authority	4,585,482
78	8057	PGA for Transportation Sales	0
79	8058	Unbilled PGA Costs	(3,124,678)
80	8059	PGA Offset to Unrecovered Gas Cost	(71,826,171)
81	8060	Exchange Gas	(2,147,338)
82	8081	Gas Withdrawn From Storage - Debit	12,436,037
83	8082	Gas Delivered to Storage	(12,626,734)
84	8110	Gas used for products extraction-Credit	0
85	8120	Gas Used for Other Utility Operations	(14,329)
86	8130	Other Gas Supply Expenses	0
87	8580	Transmission and compression of gas by others	22,709,250
88		Total Purchased Gas Cost	\$ 78,382,354

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Operating Revenue and Expenses by FERC Account
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period _____ FR 16(8)(c)2.1
 Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 F
 Workpaper Reference No(s): _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
89			
90		<u>Distribution Expenses - Operation</u>	
91	8700	Supervision and Engineering	\$ 963,411
92	8710	Distribution Load Dispatching	663
93	8711	Odorization	19,956
94	8720	Compressor Station Labor & Expenses	0
95	8740	Mains & Services	4,320,719
96	8750	Measuring and Regulating Station Exp. - Gen	574,714
97	8760	Measuring and Regulating Station Exp. - Ind.	120,928
98	8770	Measuring and Regulating Sta. Exp. - City Gate	38,286
99	8780	Meters and House Regulator Expense	820,621
100	8790	Customer Installations Expense	2,246
101	8800	Other Expense	3,204
102	8810	Rents	369,768
103		Total Distribution Expenses - Operation	\$ 7,234,514
104			
105		<u>Distribution Expenses - Maintenance</u>	
106	8850	Supervision and Engineering	\$ 1,588
107	8860	Structures and Improvements	98
108	8870	Mains	28,852
109	8890	Measuring and Regulating Station Exp. - Gen	65,572
110	8900	Measuring and Regulating Station Exp. - Ind.	1,723
111	8910	Measuring and Regulating Sta. Exp. - City Gate	795
112	8920	Services	6,533
113	8930	Meters and House Regulators	0
114	8940	Other Equipment	5,866
115	8950	Maintenance of Other Plant	0
116		Total Distribution Expenses - Maintenance	\$ 111,027
117			
118		<u>Customer Accounts Expenses - Operation</u>	
119	9010	Supervision	\$ -
120	9020	Meter Reading Expenses	1,085,047
121	9030	Customer Records & Collections	1,220,802
122	9040	Uncollectible Accounts	341,050
123		Total Customer Accounts Expense	\$ 2,646,900
124			
125		<u>Customer Service & Information - Operation</u>	
126	9070	Supervision	\$ -
127	9080	Customer Assistance Expenses	0
128	9090	Informational and Instructional Advertising Expenses	128,272
129	9100	Misc Cust Serv & Informational Exp	0
130		Total Customer Accounts Expenses - Operation	\$ 128,272
131			
132		<u>Sales Expense</u>	
133	9110	Supervision	\$ 253,468
134	9120	Demonstrating and Selling Expenses	115,937
135	9130	Advertising Expenses	35,170
136	9160	Miscellaneous Sales Expenses	0
137		Total Sales Expenses	\$ 404,575
138			

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Operating Revenue and Expenses by FERC Account
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period _____ FR 16(8)(c)2.1
 Type of Filing: Original _____ Updated _____ Revised _____ Schedule C-2.1 F
 Workpaper Reference No(s). _____ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
139		<u>Administrative and General Expenses - Operation</u>	
140	9200	Administrative and General Salaries	\$ 128,440
141	9210	Office Supplies and Expenses	17,616
142	9220	Administrative Expense Transferred	14,498,764
143	9230	Outside Services Employed	339,697
144	9240	Property Insurance	3,718
145	9250	Injuries and Damages	74,010
146	9260	Employee Pensions and Benefits	1,791,281
147	9270	Franchise Requirements	646
148	9280	Regulatory Commission Expense	671,994
149	930.2	Miscellaneous General Expense	41,757
150	9310	A&G-Rents	11,100
151		Total Administrative and General Exp. - Operation	<u>\$ 17,579,025</u>
152			
153		<u>Administrative and General Expense - Maintenance</u>	
154	9320	Maintenance of General Plant	11,804
155		Total Administrative and Gen. Exp. - Maintenance	<u>\$ 11,804</u>
156			
157		<u>Total Operation and Maintenance Expense</u>	<u>\$ 107,397,487</u>
158			
159	403-406	Depreciation and Amortization	\$ 23,102,096
160	4081	Taxes Other than Income Taxes	7,511,837
161	4091	Provision for Federal & State Income Taxes	6,037,302
162			
163		TOTAL OPERATING EXPENSE	<u>\$ 144,048,722</u>
164			
165		NET OPERATING INCOME	<u>\$ 25,669,144</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(B)(c)2.2
 Schedule C-2.2

Witness: Waller, Densman

Line No.	Acct No.	Account Description	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	Forecasted Jul-18	Forecasted Aug-18	Forecasted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	Total
60	8710	Distribution load dispatching	70	219	43	22	22	90	53	55	50	52	58	58	792
61	8711	Odorization	0	0	3,088	3,034	10,112	0	2,458	2,066	1,651	1,530	1,594	1,194	28,727
62	8720	Distribution-Compressor station labor and expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
63	8740	Mains and Services Expenses	361,665	388,135	427,162	365,987	433,283	539,227	409,982	345,043	325,861	335,446	339,290	314,148	4,585,210
64	8750	Distribution-Measuring and regulating station expens	105,325	39,732	29,160	41,975	68,724	49,621	51,319	49,120	43,558	47,959	47,859	43,929	518,282
65	8760	Distribution-Measuring and regulating station expens	5,807	9,697	17,157	7,738	12,852	12,595	9,958	10,286	9,125	10,444	10,239	9,904	125,801
66	8770	Distribution-Measuring and regulating station expens	665	467	206	412	14,620	10,312	4,468	3,171	2,871	2,810	2,861	2,278	45,140
67	8780	Meter and house regulator expenses	123,137	64,566	51,529	67,477	71,005	67,139	66,112	68,983	61,769	70,311	70,021	66,763	848,813
68	8790	Customer installations expenses	0	0	0	1,827	0	0	277	233	186	172	179	134	3,009
69	8800	Distribution-Other expenses	733	123	1,232	445	325	699	458	479	481	204	173	380	5,729
70	8810	Distribution-Rents	38,427	45,088	46,695	54,738	40,068	36,209	29,605	31,005	28,173	29,057	31,809	32,705	443,678
71	8850	Distribution-Maintenance supervision and engineerin	38	168	0	21	183	8	101	106	165	107	57	278	1,232
72	8860	Distribution-Maintenance of structures and improvem	0	0	0	0	80	0	12	10	8	8	8	6	131
73	8870	Distribution-Maint of mains	3,558	2,538	2,437	1,169	2,175	4,207	2,595	2,338	2,131	2,393	2,350	2,183	30,074
74	8890	Maintenance of measuring and regulating station eqt	9,671	8,891	3,151	8,057	1,172	8,115	5,735	5,729	5,000	5,538	5,539	5,167	71,786
75	8900	Maintenance of measuring and regulating station eqt	568	(224)	464	0	420	0	186	166	138	138	141	117	2,114
76	8910	Maintenance of measuring and regulating station eqt	0	0	0	0	0	560	63	66	60	63	69	69	950
77	8920	Maintenance of services	1,873	304	(34)	509	172	732	537	556	492	565	555	532	6,794
78	8930	Maintenance of meters and house regulators	0	0	0	0	0	0	-	-	-	-	-	-	0
79	8940	Distribution-Maintenance of other equipment	657	430	559	1,701	1,255	162	721	607	485	449	468	351	7,847
80	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	-	-	-	-	-	-	0
81	9020	Customer accounts-Meter reading expenses	101,007	103,318	108,555	100,538	125,550	81,656	105,814	82,851	78,435	83,575	82,130	74,467	1,127,896
82	9030	Customer accounts-Customer records and collection	97,695	100,440	127,619	120,053	127,428	142,633	128,726	89,868	87,186	92,573	90,993	78,242	1,283,457
83	9040	Customer accounts-Uncollectible accounts	47,272	43,913	37,532	54,899	22,112	145,471	27,827	28,037	28,525	27,632	37,759	48,564	549,343
84	9090	Customer service-Operating informational and instru	12,027	8,469	11,706	11,387	12,611	11,148	9,548	10,607	9,633	10,813	11,124	10,450	129,523
85	9100	Customer service-Miscellaneous customer service	0	0	0	0	0	0	-	-	-	-	-	-	0
86	9110	Sales-Supervision	19,520	21,069	25,226	21,668	22,386	21,582	18,200	20,753	19,061	21,128	22,089	20,700	253,382
87	9120	Sales-Demonstrating and selling expenses	14,362	15,311	4,892	9,380	7,557	22,228	9,575	12,807	13,421	9,828	17,667	6,973	143,981
88	9130	Sales-Advertising expenses	3,358	3,435	7,297	1,606	5,854	671	2,741	4,034	4,244	2,785	5,444	2,060	43,530
89	9200	A&G-Administrative & general salaries	10,060	10,882	11,970	11,636	12,840	11,988	10,473	10,885	9,649	11,135	10,925	10,512	132,956
90	9210	A&G-Office supplies & expense	2,618	1,093	2,815	2,163	(50)	2,570	861	1,289	1,334	1,353	1,810	1,456	19,311
91	9220	A&G-Administrative expense transferred-Credit	1,077,087	921,578	1,144,944	997,870	1,306,075	776,412	1,222,953	1,071,648	1,079,925	1,130,382	1,158,533	1,143,338	13,030,745
92	9230	A&G-Outside services employed	160	0	15,004	6,065	257	185,986	40,224	22,973	23,539	23,808	23,388	18,509	359,911
93	9240	A&G-Property insurance	14,262	14,561	13,925	13,181	14,464	14,123	499	370	370	127	-	2,476	88,358
94	9250	A&G-Injuries & damages	2,590	3,244	7,379	4,034	26,251	1,996	8,299	5,129	5,652	5,380	5,618	4,333	79,906
95	9260	A&G-Employee pensions and benefits	186,991	142,600	136,940	137,078	173,569	139,491	137,766	143,670	134,798	166,081	163,969	158,311	1,821,264
96	9270	A&G-Franchise requirements	0	408	0	0	0	0	50	74	78	51	100	38	800
97	9280	A&G-Regulatory commission expenses	(5,239)	5,750	22,135	21,253	(139,296)	20,951	2,989	551	1,263	54,210	56,040	52,179	92,766
98	9302	Miscellaneous general expenses	20,220	4,982	4,024	13,199	3,649	5,222	10,787	1,805	319	11,123	7,551	913	83,791
99	9310	A&G-Rents	1,305	1,305	1,305	1,305	1,300	1,300	883	925	835	874	965	966	13,266
100	9320	A&G-Maintenance of general plant	0	0	0	0	0	11,000	2,388	401	78	2,658	1,877	410	18,812
101															
102		Operating (Income)Loss*	(\$6,672,482)	(\$6,217,458)	(\$4,422,972)	(\$3,199,299)	(\$902,644)	(\$492,418)	(582,907)	(\$1,022,669)	(\$949,599)	(\$1,434,919)	(\$2,922,109)	(\$4,978,569)	(\$27,477,085)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

**Note: Provision for income Taxes is not a component of Operating Income but is included on this schedule to develop the 12 month total for use elsewhere in the model

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account, Div 002 Only
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Worksheet Reference No(s):

FR 16(B)(c)2.2
 Schedule C-2.2

Witness: Waller, Densman

Line No.	Acct No.	Account Description	actual	actual	actual	actual	actual	actual	Forecasted	Forecasted	Forecasted	Budgeted	Budgeted	Budgeted	Total
			Jan-18	Mar-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	
1	4030	Depreciation Expense	(0)	(0)	0	(0)	0	(0)	0	0	0	0	0	0	(0)
2	4081	Taxes other than income taxes, utility operating i	0	(0)	(0)	(0)	(0)	(1,095,601)	0	0	0	0	0	0	(1,095,601)
3	8210	Storage-Purification expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
4	8700	Distribution-Operation supervision and engineerin	105,093	438	61,170	1,555	606	426	38,643	37,284	41,646	43,123	41,580	40,013	411,576
5	8560	Mains Expenses	0	0	11,697	(5,628)	913	0	1,251	1,308	1,137	1,355	1,297	1,238	14,569
6	8740	Mains and Services Expenses	6,615	3,693	4,172	(6,958)	5,773	3,329	6,080	6,080	6,084	6,227	6,227	6,227	53,552
7	8780	Meter and house regulator expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8850	Distribution-Maintenance supervision and engine	0	0	22,774,821	2,090,628	51,305	(237,351)	17,861,546	16,440,372	16,012,005	16,712,710	16,588,629	16,696,241	124,990,906
10	8900	Maintenance of measuring and regulating station	0	0	0	0	0	0	0	0	0	0	0	0	0
11	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
12	9030	Customer accounts-Customer records and collec	5,314	4,452	11,757	9,549	10,028	9,468	9,034	9,444	8,222	9,786	9,361	8,948	105,363
13	9100	Customer service-Miscellaneous customer servic	0	0	0	0	0	0	0	0	0	0	0	0	0
14	9120	Sales-Demonstrating and selling expenses	8,288	0	347	0	0	19	1,659	1,659	1,962	2,005	1,757	2,643	20,339
15	9160	Sales-Miscellaneous sales expenses	0	0	0	0	1,009	591	414	365	479	470	454	439	4,241
16	9200	A&G-Administrative & general salaries	205,452	(627,908)	(2,192,440)	(401,667)	(899,220)	(5,306,855)	(19,561,056)	(17,493,191)	(17,457,761)	(17,685,819)	(17,715,212)	(18,042,505)	(117,178,183)
17	9210	A&G-Office supplies & expense	2,142,790	1,771,426	1,682,549	2,041,980	1,933,265	2,210,856	2,521,099	2,498,875	2,668,458	2,925,307	2,709,077	2,859,363	27,965,045
18	9220	A&G-Administrative expense transferred-Credit	(8,771,030)	(7,951,782)	(10,587,390)	(8,252,356)	(13,352,610)	(5,009,612)	(9,656,780)	(8,022,889)	(7,941,749)	(8,813,419)	(8,811,471)	(8,957,492)	(106,128,578)
19	9230	A&G-Outside services employed	689,944	802,488	1,004,663	1,133,846	1,038,732	1,348,513	843,365	804,371	921,592	903,707	861,820	924,838	11,297,879
20	9240	A&G-Property insurance	11,426	11,426	10,819	10,819	10,819	10,819	12,394	12,394	12,394	11,863	11,969	11,969	139,111
21	9250	A&G-injuries & damages	1,587,463	1,587,213	1,877,081	1,587,313	1,587,109	1,084,489	1,745,129	1,745,643	1,744,101	1,671,403	1,685,753	1,685,234	19,587,929
22	9260	A&G-Employee pensions and benefits	2,898,622	3,461,898	5,497,584	3,538,375	9,024,667	4,392,184	5,377,761	3,157,123	2,979,918	3,372,567	3,772,917	3,709,119	51,182,656
23	9301	A&G-General advertising expense	0	0	0	0	0	0	0	0	0	0	0	0	0
24	9302	Miscellaneous general expenses	579,195	377,496	2,956,336	386,906	186,525	263,397	271,775	276,565	463,356	261,299	243,628	509,151	6,775,628
25	9310	A&G-Rents	506,336	515,892	421,345	109,297	405,038	456,120	491,303	488,913	501,305	534,953	532,113	502,561	5,465,175
26	9320	A&G-Maintenance of general plant	24,040	45,828	4,367	30,115	47,043	34,154	36,382	35,664	36,849	42,464	40,101	42,014	419,021
27	Operating (Income)Loss*		(\$451)	\$2,559	\$23,538,878	\$2,273,773	\$50,921	(\$1,835,054)	\$0	(\$0)	(\$0)	\$0	(\$0)	(\$0)	\$24,030,627
28															
29	9220	A&G-Administrative expense transferred-Credit	(8,771,030)	(7,951,782)	(10,587,390)	(8,252,356)	(13,352,610)	(5,009,612)	(9,656,780)	(8,022,889)	(7,941,749)	(8,813,419)	(8,811,471)	(8,957,492)	(106,128,578)
30	Allocation Factor to Kentucky		5.86%	5.80%	5.70%	5.95%	5.80%	6.28%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.50%
31	Total Allocated Amount		(513,970)	(461,380)	(603,222)	(490,841)	(747,763)	(314,607)	(499,943)	(415,355)	(411,154)	(456,281)	(456,180)	(463,740)	(5,834,437)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account, Div 012 Only
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(c)2.2
 Schedule C-2.2

Witness: Wailer, Densman

Line No.	Acct No.	Account Description	actual	actual	actual	actual	actual	actual	Forecasted	Forecasted	Forecasted	Budgeted	Budgeted	Budgeted	Total
			Jan-18	Mar-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	
1	4030	Depreciation Expense	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
2	4081	Taxes other than income taxes, utility operating income	0	(0)	(0)	0	0	(0)	0	0	0	0	0	0	0
3	8700	Distribution-Operation supervision and engineering	0	395	0	0	1,137	3,316	1,031	1,092	1,089	861	851	985	10,746
4	8740	Mains and Services Expenses	1,599	1,401	1,614	1,672	1,409	1,471	1,687	1,687	1,687	1,724	1,724	1,724	19,399
5	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
6	9010	Customer accounts-Operation supervision	352,196	307,312	349,670	327,960	361,872	319,906	428,394	444,161	408,993	434,598	432,744	412,755	4,580,562
7	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	9030	Customer accounts-Customer records and collections expenses	1,741,680	1,492,516	1,708,357	1,522,188	1,617,146	1,504,397	1,914,208	1,944,277	1,703,896	1,986,287	1,880,332	1,794,672	20,809,954
9	9200	A&G-Administrative & general salaries	372,338	306,658	349,708	390,956	367,638	344,049	413,871	432,534	377,114	436,138	417,906	398,791	4,607,698
10	9210	A&G-Office supplies & expense	589,412	605,657	714,835	706,341	644,057	628,961	191,855	180,790	179,682	153,090	150,562	151,916	4,897,168
11	9220	A&G-Administrative expense transferred-Credit	(4,107,536)	(3,616,023)	(3,896,279)	(3,884,435)	(4,070,220)	(3,717,147)	(3,977,653)	(4,067,300)	(3,611,821)	(4,044,130)	(3,873,415)	(3,711,715)	(46,577,674)
12	9230	A&G-Outside services employed	85,332	57,130	52,402	61,634	103,506	59,968	50,422	48,472	46,025	32,386	34,086	31,000	682,361
13	9240	A&G-Property insurance	8,106	8,106	7,660	7,660	7,660	7,660	0	0	0	0	0	0	46,853
14	9250	A&G-Injuries & damages	17	17	17	0	0	0	0	0	0	0	0	0	52
15	9260	A&G-Employee pensions and benefits	823,774	704,864	579,503	731,730	834,566	715,362	839,343	877,906	756,941	867,377	823,530	787,853	9,342,751
16	9310	A&G-Rents	131,073	131,911	131,577	134,295	131,230	131,090	136,839	136,378	136,378	131,675	131,675	132,010	1,596,132
17	9320	A&G-Maintenance of general plant	2,009	56	935	0	0	968	3	3	6	4	4	9	3,997
18															
19		Operating (Income)Loss*	(\$0)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	(\$0)	\$0	(\$0)	(\$0)	\$0
20															
21	9220	A&G-Administrative expense transferred-Credit	(4,107,536)	(3,616,023)	(3,896,279)	(3,884,435)	(4,070,220)	(3,717,147)	(3,977,653)	(4,067,300)	(3,611,821)	(4,044,130)	(3,873,415)	(3,711,715)	(46,577,674)
22		Allocation Factor to Kentucky	4.54%	4.50%	4.52%	4.49%	4.54%	4.38%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.07%
23		Total Allocated Amount	(186,586)	(162,752)	(178,247)	(174,271)	(184,807)	(162,958)	(224,388)	(229,445)	(203,751)	(228,138)	(218,508)	(209,396)	(2,361,236)
24															

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account, Div 091 Only
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(c)2.2
 Schedule C-2.2

Witness: Waller, Densman

Line No.	Acct No.	Account Description	actual					Forecasted			Budgeted		Budgeted		Total
			Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1	4030	Depreciation Expense	(0)	(0)	(0)	(0)	(0)	0	0	0	0	0	0	0	0
2	4060	Amortization of gas plant acquisition adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0
3	4081	Taxes other than income taxes, utility operating i	0	(0)	(0)	0	0	113,942	0	0	0	0	0	0	113,943
4	8170	Lines expenses	47	48	45	43	39	42	45	43	44	40	40	41	518
5	8180	Compressor station expenses	49	50	46	45	41	36	46	44	44	41	41	41	524
6	8190	Compressor station fuel and power	384	10	502	70	10	599	269	257	261	241	240	243	3,084
7	8210	Storage-Purification expenses	519	411	374	192	112	107	293	280	284	282	261	265	3,361
8	8240	Storage-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8250	Storage well royalties	3,345	957	2,384	3,109	841	572	1,913	1,826	1,855	1,711	1,705	1,728	21,945
	8500	Transmission-Operation supervision and engine	0	0	0	0	0	0	0	0	0	0	0	0	0
10	8560	Mains expenses	63	65	60	58	53	47	59	56	57	53	52	53	674
11	8570	Transmission-Measuring and regulating station e	94	97	89	87	79	83	90	86	87	81	80	82	1,035
12	8650	Transmission-Maintenance of me - Non-Inventor	0	0	0	0	0	445	66	74	58	40	70	97	850
13	8700	Distribution-Operation supervision and engineer	293,118	240,516	223,259	246,464	254,197	238,116	281,160	294,870	305,142	322,467	348,949	302,321	3,350,589
14	8711	Odorization	16,631	13,457	0	2,264	0	3,085	5,273	5,925	4,613	3,213	5,613	7,690	67,765
15	8740	Mains and Services Expenses	14,447	8,226	6,437	7,402	10,512	(11,155)	9,350	9,782	10,691	10,000	10,262	10,808	96,782
16	8750	Distribution-Measuring and regulating station ex	12,539	9,850	13,719	18,886	14,790	12,619	13,054	13,601	12,744	13,325	14,678	14,332	164,138
17	8760	Distribution-Measuring and regulating station ex	0	0	0	0	0	0	0	0	0	0	0	0	0
18	8770	Distribution-Measuring and regulating station ex	240	3,984	4,154	0	2,043	0	1,551	1,742	1,357	945	1,651	2,261	19,927
19	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
20	8810	Distribution-Rents	23,863	23,776	23,073	21,788	23,332	23,466	23,784	22,695	23,054	21,271	21,189	21,480	272,771
21	9010	Customer accounts-Operation supervision	1,990	2,056	3,098	2,447	2,901	2,562	2,260	2,314	2,210	2,513	2,697	2,338	29,386
22	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
23	9030	Customer accounts-Customer records and collect	164,975	161,951	176,360	160,299	168,108	148,876	317,888	321,275	387,514	290,541	313,969	325,653	2,937,409
24	9100	Customer service-Miscellaneous customer servit	80	0	61	0	395	61	101	122	121	142	170	111	1,363
25	9110	Sales-Supervision	14,900	10,718	14,998	32,051	10,612	11,034	15,421	15,360	16,667	16,511	20,663	15,758	194,694
26	9120	Sales-Demonstrating and selling expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
27	9130	Sales-Advertising expenses	0	0	0	0	412	127	91	110	109	128	154	100	1,230
28	9200	A&G-Administrative & general salaries	(9,382)	(31,796)	(6,413)	(14,769)	(29,539)	(14,681)	7,981	7,915	10,225	1,359	654	755	(77,689)
29	9210	A&G-Office supplies & expense	25	281	1,997	0	0	50	471	438	610	466	785	468	5,592
30	9220	A&G-Administrative expense transferred-Credit	(756,390)	(597,520)	(734,179)	(668,458)	(750,312)	(600,333)	(1,001,651)	(857,469)	(934,152)	(895,868)	(971,966)	(944,580)	(9,712,877)
31	9230	A&G-Outside services employed	1,630	1,731	13,787	7,155	8,172	22,891	24,122	24,216	30,885	20,948	23,289	24,620	203,446
32	9240	A&G-Property insurance	(1,028)	(1,105)	(1,217)	(1,119)	(1,066)	(1,093)	(6,879)	(6,930)	(7,499)	(6,782)	(6,840)	(6,857)	(48,414)
33	9250	A&G-Injuries & damages	19,633	19,705	16,367	18,874	18,865	18,486	34,949	35,748	34,856	38,634	37,963	37,156	331,235
34	9260	A&G-Employee pensions and benefits	197,785	132,532	241,001	163,110	257,903	143,957	257,825	90,978	86,757	150,291	166,344	175,484	2,063,968
35	9280	A&G-Regulatory commission expenses	441	0	0	0	0	0	108	82	75	212	142	74	1,134
36	9302	Miscellaneous general expenses	0	0	0	0	7,500	0	10,370	14,559	11,331	7,214	7,144	7,479	65,598
37	9310	A&G-Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
38															
39		Operating (Income)Loss*	\$0	\$0	\$0	\$0	\$0	\$113,942	\$0	(\$0)	(\$0)	\$0	(\$0)	(\$0)	(\$3,215,958)
40															
41	9220	A&G-Administrative expense transferred-Credit	(756,390)	(597,520)	(734,179)	(668,458)	(750,312)	(600,333)	(1,001,651)	(857,469)	(934,152)	(895,868)	(971,966)	(944,580)	(9,712,877)
42		Allocation Factor to Kentucky	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%
43		Total Allocated Amount	(376,531)	(297,446)	(365,474)	(332,758)	(373,505)	(298,846)	(498,622)	(426,848)	(465,021)	(445,963)	(483,845)	(470,212)	(4,835,070)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Worksheet Reference No(s): _____

FR 16(8)(c)2.2
 Schedule C-2.2

Witness: Waller, Densman

Line No.	Acct No.	Account Description	Forecasted Apr-19	Forecasted May-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Forecasted Total
59	8700	Distribution-Operation supervision and engineering	95,363	82,927	81,809	87,702	87,419	88,667	72,471	75,617	68,886	81,362	57,661	85,527	963,411
60	8710	Distribution load dispatching	56	55	54	49	54	51	52	58	58	63	55	58	683
61	8711	Odorization	2,139	1,517	1,487	2,007	1,818	1,334	1,530	1,594	1,194	1,853	1,659	1,824	19,956
62	8720	Distribution-Compressor station labor and expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
63	8740	Mains and Services Expenses	405,494	363,133	367,663	384,796	387,859	354,743	339,766	343,529	318,227	355,552	320,082	379,874	4,320,719
64	8750	Distribution-Measuring and regulating station expens	50,709	47,612	45,168	49,809	48,525	44,745	49,054	48,933	44,962	51,455	45,286	48,455	574,714
65	8760	Distribution-Measuring and regulating station expens	9,933	10,174	9,200	10,184	9,762	9,377	10,749	10,539	10,193	11,171	9,741	9,905	120,928
66	8770	Distribution-Measuring and regulating station expens	4,040	3,056	3,580	3,697	3,816	3,009	2,810	2,861	2,278	2,682	2,682	3,537	38,286
67	8780	Meter and house regulator expenses	68,454	68,892	62,687	68,135	66,436	64,783	72,241	71,914	68,585	75,107	65,784	67,604	820,621
68	8790	Customer installations expenses	241	171	167	226	205	150	172	179	134	209	187	205	2,246
69	8800	Distribution-Other expenses	325	161	323	287	228	254	203	172	380	259	237	374	3,204
70	8810	Distribution-Rents	31,417	30,348	30,403	27,253	30,120	28,504	29,057	31,809	32,705	34,779	30,654	32,718	369,788
71	8850	Distribution-Maintenance supervision and engineering	92	38	209	144	83	122	107	57	278	92	165	200	1,588
72	8860	Distribution-Maintenance of structures and improvem	11	7	7	10	9	7	8	8	6	9	8	9	98
73	8870	Distribution-Maint of mains	2,529	2,425	2,402	2,509	2,510	2,304	2,451	2,406	2,238	2,476	2,172	2,431	28,852
74	8890	Maintenance of measuring and regulating station eq.	5,626	5,458	4,992	5,594	5,398	4,992	5,667	5,666	5,309	6,084	5,311	5,477	65,572
75	8900	Maintenance of measuring and regulating station eq.	168	137	129	163	150	122	140	143	119	160	141	151	1,723
76	8910	Maintenance of measuring and regulating station eq.	68	66	65	58	65	61	63	69	69	75	66	70	795
77	8920	Maintenance of services	537	552	495	549	528	507	582	572	548	605	525	533	6,533
78	8930	Maintenance of meters and house regulators	-	-	-	-	-	-	-	-	-	-	-	-	0
79	8940	Distribution-Maintenance of other equipment	628	447	437	590	534	393	449	468	351	545	488	536	5,866
80	9010	Customer accounts-Operation supervision	-	-	-	-	-	-	-	-	-	-	-	-	0
81	9020	Customer accounts-Meter reading expenses	101,860	91,690	100,423	100,350	102,527	91,806	84,755	83,287	75,580	83,721	74,773	94,274	1,085,047
82	9030	Customer accounts-Customer records and collection	120,600	101,159	119,241	113,238	120,905	102,644	93,660	92,059	79,268	88,775	79,888	109,365	1,220,802
83	9040	Customer accounts-Uncollectible accounts	22,446	10,897	20,882	20,241	20,817	20,056	28,172	39,073	52,615	41,449	20,234	44,169	341,050
84	9090	Customer service-Operating informational and instr	11,052	10,664	9,744	10,252	10,268	10,558	11,078	11,384	10,701	11,584	10,285	10,702	128,272
85	9100	Customer service-Miscellaneous customer service	-	-	-	-	-	-	-	-	-	-	-	-	0
86	9110	Sales-Supervision	22,227	20,874	19,322	19,909	20,208	21,279	21,599	22,552	21,146	22,649	20,329	21,374	253,468
87	9120	Sales-Demonstrating and selling expenses	7,941	6,529	6,575	8,470	12,396	8,211	9,828	17,667	6,973	10,653	10,030	10,663	115,937
88	9130	Sales-Advertising expenses	2,261	2,034	1,926	2,650	3,938	2,583	2,786	5,444	2,060	3,034	3,127	3,327	35,170
89	9200	A&G-Administrative & General Salaries	10,496	10,875	9,733	10,765	10,360	9,991	11,469	11,253	10,627	11,690	10,321	10,460	128,440
90	9210	A&G-Office supplies & expense	1,622	1,262	1,290	1,211	1,509	1,612	1,353	1,810	1,456	1,417	1,480	1,594	17,616
91	9220	A&G-Administrative expense transferred-Credit	1,200,012	1,410,253	1,126,527	1,355,808	1,074,751	1,114,812	1,150,349	1,177,101	1,160,596	1,258,873	1,168,001	1,301,683	14,498,764
92	9230	A&G-Outside services employed	36,621	27,876	37,172	33,168	37,019	29,690	23,808	23,388	18,509	21,094	19,476	31,877	339,697
93	9240	A&G-Property insurance	147	-	-	-	968	-	127	-	2,476	-	-	-	3,718
94	9250	A&G-Injuries & damages	7,589	5,961	7,749	6,930	7,850	6,362	5,380	5,618	4,333	4,930	4,515	6,794	74,010
95	9260	A&G-Employee pensions and benefits	153,585	160,208	144,233	156,546	151,618	147,825	151,848	150,004	144,874	157,964	136,688	135,889	1,791,281
96	9270	A&G-Franchise requirements	42	37	35	49	72	47	51	100	38	56	57	61	646
97	9280	A&G-Regulatory commission expenses	57,070	55,064	54,779	55,372	54,701	54,258	54,210	56,040	52,179	55,262	69,770	53,288	671,994
98	9302	Miscellaneous general expenses	8,307	1,083	2,344	(494)	(5)	(633)	11,123	7,551	913	12,043	(146)	(328)	41,757
99	9310	A&G-Rents	946	919	904	816	910	856	874	965	966	1,048	920	976	11,100
100	9320	A&G-Maintenance of general plant	2,049	448	732	107	209	71	2,658	1,877	410	2,865	240	138	11,804
101		Operating (Income)Loss*	(\$2,905,556)	(\$1,139,904)	(\$756,577)	(\$212,586)	(\$604,881)	(\$594,701)	(\$1,242,116)	(\$2,751,556)	(\$4,828,942)	(\$6,157,568)	(\$6,131,316)	(\$4,380,743)	(\$25,669,144)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

**Note: Provision for Income Taxes is not a component of Operating Income but is included on this schedule to develop the 12 month total for use elsewhere in the model

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account, Div 002 Only
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____

FR 16(8)(c)2.2
 Schedule C-2.2

Worksheet Reference No(s).

Witness: Waller, Densman

Line No.	Acct No.	Account Description	Forecasted Apr-19	Forecasted Jun-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
1	4030	Depreciation Expense	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	4081	Taxes other than income taxes, utility operating i	0	0	0	0	0	0	0	0	0	0	0	0	0
3	8210	Storage-Purification expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
4	8560	Mains expenses	1,291	1,349	1,174	1,349	1,291	1,232	1,396	1,335	1,275	1,390	1,209	1,269	15,559
5	8700	Distribution-Operation supervision and engineerir	40,289	42,176	40,148	42,878	40,508	43,400	43,510	41,950	40,366	41,070	39,694	41,180	497,169
6	8740	Mains and Services Expenses	6,227	6,227	6,227	6,227	6,227	6,231	6,227	6,227	6,227	6,227	6,227	6,227	74,734
7	8780	Meter and house regulator expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8850	Maintenance Supervision and Engineering	16,990,315	21,798,985	16,389,216	20,381,249	15,192,473	15,531,582	16,712,710	16,588,629	16,696,241	17,593,151	16,611,593	19,213,246	209,699,389
9	8900	Maintenance of measuring and regulating station	0	0	0	0	0	0	0	0	0	0	0	0	0
10	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
11	9030	Customer accounts-Customer records and collec	9,321	9,741	8,488	9,742	9,319	8,907	10,079	9,641	9,216	10,038	8,733	9,303	112,527
12	9100	Customer service-Miscellaneous customer servic	0	0	0	0	0	0	0	0	0	0	0	0	0
13	9120	Sales-Demonstrating and selling	1,593	1,799	1,675	1,593	2,499	1,674	2,005	1,757	2,643	1,980	1,753	1,716	22,686
14	9160	Miscellaneous Sales Expenses	435	456	450	467	439	493	470	454	439	433	436	452	5,426
15	9200	A&G-Administrative & general salaries	(18,260,638)	(24,467,023)	(17,831,030)	(22,575,207)	(15,870,304)	(16,493,103)	(17,553,877)	(17,588,997)	(17,922,016)	(18,746,428)	(18,020,906)	(21,273,611)	(226,603,141)
16	9210	A&G-Office supplies & expense	2,961,646	2,919,576	2,878,834	3,089,375	3,095,164	3,165,939	2,925,307	2,709,077	2,859,363	2,807,137	2,789,647	2,896,749	35,097,814
17	9220	A&G-Administrative expense transferred-Credit	(8,659,768)	(11,774,278)	(8,664,346)	(11,298,399)	(8,041,713)	(7,958,613)	(9,028,379)	(9,016,520)	(9,152,630)	(9,354,525)	(8,848,780)	(11,046,379)	(112,644,330)
18	9230	A&G-Outside services employed	932,826	921,309	998,989	963,271	932,153	1,040,510	903,707	881,820	924,838	897,385	945,742	1,016,812	11,359,352
19	9240	A&G-Property insurance	11,976	11,976	11,976	11,976	12,107	11,976	11,863	11,969	11,969	11,969	11,969	11,976	143,704
20	9250	A&G-Injuries & damages	1,686,726	1,687,242	1,685,693	1,687,242	1,704,969	1,686,210	1,672,097	1,686,412	1,686,658	1,686,907	1,685,253	1,686,808	20,241,417
21	9260	A&G-Employee pensions and benefits	3,402,369	8,016,562	3,349,039	6,845,160	2,080,046	1,901,287	3,454,171	3,850,403	3,782,486	4,126,700	3,855,384	3,541,568	48,205,185
22	9301	A&G-General advertising expense	0	0	0	0	0	0	0	0	0	0	0	0	0
23	9302	Miscellaneous general expenses	327,410	278,765	576,120	282,923	287,542	492,583	261,299	243,628	509,151	372,134	368,289	3,345,372	7,345,216
24	9310	A&G-Rents	504,803	503,216	504,763	505,292	502,615	514,624	534,953	532,113	502,561	503,531	502,362	504,956	6,115,788
25	9320	A&G-Maintenance of general plant	43,177	41,920	42,584	44,863	44,665	45,057	42,464	40,101	42,014	40,902	41,393	42,355	511,495
26		Operating (Income)Loss*	\$0	(\$0)	\$0	(\$0)	(\$0)	\$0	\$0	\$0	(\$0)	(\$0)	\$0	(\$0)	(\$0)
27															
28	9220	A&G-Administrative expense transferred-Credit	(8,659,768)	(11,774,278)	(8,664,346)	(11,298,399)	(8,041,713)	(7,958,613)	(9,028,379)	(9,016,520)	(9,152,630)	(9,354,525)	(8,848,780)	(11,046,379)	
29		Allocation Factor to Kentucky	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	
30		Total Allocated Amount	(448,327)	(609,568)	(448,564)	(584,932)	(416,329)	(412,027)	(467,410)	(466,796)	(473,843)	(484,295)	(458,112)	(571,884)	(5,842,066)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account, Div 012 Only
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised
 Workpaper Reference No(s): _____

FR 16(8)(c)2.2
 Schedule C-2.2

Witness: Waller, Densman

Line No.	Acct No.	Account Description	Forecasted Apr-19	Forecasted Jun-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Forecasted Total
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1	4030	Depreciation Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
2	4081	Taxes other than income taxes, utility operating income	0	0	0	0	0	0	0	0	0	0	0	0	0
3	8700	Distribution-Operation supervision and engineering	877	877	898	1,061	925	933	851	851	985	816	799	819	10,693
4	8740	Mains and Services Expenses	1,724	1,724	1,724	1,724	1,724	1,728	1,724	1,724	1,724	1,724	1,724	1,724	20,691
5	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
6	9010	Customer accounts-Operation supervision	429,246	488,642	397,439	520,253	406,721	395,229	446,162	443,807	423,316	463,229	403,395	421,220	5,238,660
7	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	9030	Customer accounts-Customer records and collections	1,953,200	2,024,086	1,758,263	2,023,940	1,868,749	1,789,056	2,043,759	1,935,312	1,847,161	2,097,861	1,804,683	1,890,663	23,036,731
9	9200	A&G-Administrative & general salaries	428,436	449,007	390,796	439,296	416,815	398,151	449,190	430,392	410,711	460,938	402,418	421,849	5,097,999
10	9210	A&G-Office supplies & expense	205,079	144,142	178,979	161,164	161,173	244,022	153,090	150,562	151,916	145,723	147,840	162,220	2,005,910
11	9220	A&G-Administrative expense transferred-Credit	(4,068,862)	(4,142,197)	(3,661,550)	(4,151,580)	(3,862,146)	(3,852,219)	(4,175,633)	(3,999,217)	(3,831,817)	(4,264,250)	(3,741,713)	(3,928,703)	(47,679,887)
12	9230	A&G-Outside services employed	67,096	28,306	26,655	34,296	40,739	97,310	32,386	34,086	31,000	24,405	29,593	38,476	484,348
13	9240	A&G-Property insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
14	9250	A&G-Injuries & damages	0	0	0	0	0	0	0	0	0	0	0	0	0
15	9260	A&G-Employee pensions and benefits	851,524	873,733	774,709	838,168	833,621	793,775	916,793	870,804	832,985	937,873	819,581	859,713	10,203,278
16	9310	A&G-Rents	131,675	131,675	132,010	131,875	131,675	132,008	131,675	131,675	132,010	131,675	131,675	132,010	1,581,442
17	9320	A&G-Maintenance of general plant	4	4	77	4	4	8	4	4	9	5	4	9	135
18															
19		Operating (Income)Loss*	\$0	(\$0)	(\$0)	\$0	\$0	(\$0)	\$0	\$0	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
20															
21	9220	A&G-Administrative expense transferred-Credit	(4,068,862)	(4,142,197)	(3,661,550)	(4,151,580)	(3,862,146)	(3,852,219)	(4,175,633)	(3,999,217)	(3,831,817)	(4,264,250)	(3,741,713)	(3,928,703)	(47,679,887)
22		Allocation Factor to Kentucky	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%
23		Total Allocated Amount	(229,533)	(233,670)	(206,556)	(234,200)	(217,872)	(217,312)	(235,557)	(225,605)	(216,161)	(240,556)	(211,078)	(221,627)	(2,689,726)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Monthly Jurisdictional Operating Income by FERC Account, Div 091 Only
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(c)2.2
 Schedule C-2.2

Witness: Waller, Densman

Line No.	Acct No.	Account Description	Forecasted Apr-19	Forecasted Jun-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
1	4030	Depreciation Expense													
2	4060	Amortization of gas plant acquisition adjustments													
3	4081	Taxes other than income taxes, utility operating i													
4	8170	Lines expenses	42	40	39	52	41	40	40	40	41	43	44	43	506
5	8180	Compressor station expenses	43	40	40	53	42	40	41	41	41	44	44	44	512
6	8190	Compressor station fuel and power	251	236	235	310	244	237	241	240	243	256	261	259	3,013
7	8210	Storage-Purification expenses	274	258	256	338	266	258	262	261	265	279	284	282	3,283
8	8240	Storage-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8250	Storage well royalties	1,786	1,682	1,674	2,206	1,738	1,687	1,711	1,705	1,728	1,824	1,854	1,841	21,436
10	8500	Transmission-Operation supervision and engine	0	0	0	0	0	0	0	0	0	0	0	0	0
11	8560	Mains expenses	55	52	51	68	53	52	53	52	53	56	57	57	658
12	8570	Transmission-Measuring and regulating station e	84	79	79	104	82	80	81	80	82	86	87	87	1,011
13	8650	Transmission-Maintenance of me - Non-Inventor	82	46	58	40	58	47	40	70	97	83	109	63	793
14	8700	Distribution-Operation supervision and engineer	363,370	330,919	307,582	323,443	319,922	340,520	326,573	352,877	306,072	351,955	319,566	333,577	3,976,375
15	8711	Odorization	6,550	3,639	4,587	3,193	4,656	3,724	3,213	5,613	7,690	6,602	8,663	5,015	63,165
16	8740	Mains and Services Expenses	11,475	11,449	11,435	11,774	12,952	12,332	10,000	10,263	10,808	12,208	11,490	10,690	136,876
17	8750	Distribution-Measuring and regulating station ex	15,088	14,175	13,201	13,394	13,711	13,936	13,621	14,961	14,602	15,582	14,794	14,046	171,111
18	8760	Distribution-Measuring and regulating station ex	0	0	0	0	0	0	0	0	0	0	0	0	0
19	8770	Distribution-Measuring and regulating station ex	1,926	1,070	1,349	939	1,369	1,095	945	1,651	2,261	1,941	2,553	1,475	18,575
20	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
21	8810	Distribution-Rents	22,196	20,908	20,813	27,424	21,601	20,967	21,271	21,189	21,480	22,667	23,044	22,878	266,438
22	9010	Customer accounts-Operation supervision	2,606	2,527	2,338	2,478	2,444	2,572	2,576	2,758	2,396	2,680	2,320	2,449	30,145
23	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
24	9030	Customer accounts-Customer records and collec	377,114	417,776	355,006	323,143	331,170	401,813	292,344	315,693	327,300	377,775	367,597	380,005	4,266,733
25	9100	Customer service-Miscellaneous customer serv	239	120	110	109	114	118	142	170	111	122	132	130	1,616
26	9110	Sales-Supervision	19,147	16,740	16,891	15,911	16,487	19,717	16,808	20,947	16,030	18,521	15,890	16,920	210,011
27	9120	Sales-Demonstrating and selling expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
28	9130	Sales-Advertising expenses	215	108	99	98	103	107	128	154	100	110	119	117	1,458
29	9200	A&G-Administrative & general salaries	1,421	1,420	667	2,034	654	864	1,359	654	755	654	1,066	8,272	17,821
30	9210	A&G-Office supplies & expense	676	478	580	419	488	746	466	785	468	583	487	529	6,705
31	9220	A&G-Administrative expense transferred-Credit	(1,048,918)	(1,139,041)	(946,981)	(1,078,097)	(884,993)	(975,237)	(898,720)	(973,685)	(945,344)	(1,072,764)	(1,002,031)	(1,020,835)	(11,986,644)
32	9230	A&G-Outside services employed	29,052	32,533	27,519	23,922	24,881	31,531	20,948	23,289	24,620	28,720	28,532	29,415	324,964
33	9240	A&G-Property insurance	(7,314)	(7,153)	(7,152)	(7,102)	(7,120)	(7,152)	(6,782)	(6,840)	(6,857)	(7,073)	(6,902)	(7,160)	(84,606)
34	9250	A&G-Injuries & damages	38,699	39,392	36,867	39,261	38,440	37,677	37,671	36,780	35,799	36,281	34,878	36,432	450,376
35	9260	A&G-Employee pensions and benefits	154,857	224,404	145,260	282,772	82,187	79,832	147,541	162,965	171,607	191,431	166,790	157,794	1,967,441
36	9260	A&G-Regulatory commission expenses	73	83	126	64	70	68	212	142	74	172	54	69	1,208
37	9302	Miscellaneous general expenses	8,710	26,021	7,267	11,651	18,338	12,328	7,214	7,144	7,479	7,162	8,198	7,506	129,018
38	9310	A&G-Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
39															
40		Operating (Income)Loss*	\$0	(\$0)	(\$0)	(\$0)	\$0	\$0	\$0	(\$0)	(\$0)	(\$0)	\$0	(\$0)	\$0
41															
42	9220	A&G-Administrative expense transferred-Credit	(1,048,918)	(1,139,041)	(946,981)	(1,078,097)	(884,993)	(975,237)	(898,720)	(973,685)	(945,344)	(1,072,764)	(1,002,031)	(1,020,835)	(11,986,644)
43		Allocation Factor to Kentucky	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%
44		Total Allocated Amount	(522,152)	(567,014)	(471,407)	(536,676)	(440,549)	(485,473)	(447,383)	(484,700)	(470,592)	(534,022)	(498,811)	(508,172)	(5,966,951)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Account 4081-Taxes Other than Income Tax by Sub-Account
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(c)2.3
 Schedule C-2.3 B
 Witness: Waller

Line No.	Description	actual	actual	actual	actual	actual	actual	Forecasted	Forecasted	Forecasted	Budgeted	Budgeted	Budgeted	Total
		Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	
Div 009														
1														
2														
3	Payroll	\$ 43,715	\$ 22,051	\$ 44,849	\$ 19,472	\$ 23,062	\$ 24,167	\$ 25,815	\$ 16,772	\$ 47,927	\$ 17,707	\$ 62,409	\$ 10,269	\$ 358,215
4	Payroll Tax Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
5	Ad Valorem - Accrual	\$418,588	\$ 418,588	\$ 418,588	\$ 418,588	\$ 418,588	\$ 418,588	\$ 410,845	\$ 410,845	\$ 410,841	\$ 485,000	\$ 485,000	\$ 485,000	\$ 5,199,059
6	Dot Transmission User Tax	\$ -	\$ -	\$ -	\$ -	\$ 137,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,062
7	Taxes Property and Other	\$ 22,305	\$ -	\$ 2,869	\$ 45,544	\$ 43	\$ -	\$ 15,032	\$ 191	\$ 47,280	\$ 11,110	\$ 66	\$ 338	\$ 144,877
8	Public Service Commission Assessment	\$ 24,523	\$ 24,523	\$ 24,523	\$ 24,523	\$ 24,523	\$ 24,523	\$ 26,088	\$ 26,088	\$ 26,088	\$ 27,296	\$ 27,296	\$ 27,296	\$ 307,288
9	Allocation for taxes other CSC	\$ 16,727	\$ 11,571	\$ 13,828	\$ 12,398	\$ 15,152	\$ 11,197	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,512	\$ 15,512	\$ 15,512	\$ 173,608
10	Allocation from taxes other SS	\$ 21,551	\$ 15,313	\$ 15,559	\$ 16,301	\$ 20,184	\$ (41,810)	\$ 22,152	\$ 22,152	\$ 22,152	\$ 23,138	\$ 23,138	\$ 23,138	\$ 182,969
11	Allocation from taxes other Gen Office	\$ 18,809	\$ (179,541)	\$ 7,557	\$ 16,025	\$ 18,266	\$ 15,729	\$ 6,203	\$ 4,651	\$ 12,071	\$ 18,155	\$ 36,895	\$ 13,674	\$ (11,505)
12														
13	Total	\$566,216	\$ 312,504	\$ 527,772	\$ 552,951	\$ 656,880	\$ 452,394	\$ 521,535	\$ 496,100	\$ 581,759	\$ 597,919	\$ 650,316	\$ 575,228	\$ 6,491,574
14														
Div 002														
15														
16														
17														
18	Payroll	\$346,571	\$ 226,079	\$ 217,302	\$ 244,421	\$ 335,873	\$ 218,311	\$ 338,716	\$ 338,716	\$ 338,716	\$ 353,794	\$ 353,794	\$ 353,794	\$ 3,666,089
19	Ad Valorem	\$ 69,700	\$ 69,700	\$ 69,700	\$ 69,700	\$ 69,700	\$ 89,700	\$ 89,170	\$ 89,170	\$ 89,170	\$ 93,139	\$ 93,139	\$ 93,139	\$ 965,126
20	Payroll Tax Projects	\$ -	\$ -	\$ 13,529	\$ 743	\$ 152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,424
21	Taxes Property And Other	\$ -	\$ -	\$ -	\$ -	\$ (15,846)	\$ (1,095,601)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,111,447)
22														
23	Total Tax Other Than Income Tax	\$416,271	\$ 295,779	\$ 300,531	\$ 314,864	\$ 399,879	\$ (807,590)	\$ 427,886	\$ 427,886	\$ 427,886	\$ 446,933	\$ 446,933	\$ 446,933	\$ 3,534,192
24														
25	Allocation Factor to Kentucky Mid-States (Div 091)							10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	
26	Allocation Factor to Kentucky Jurisdiction (Div 009)							49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
27														
28	Total Allocated Amount	\$ 21,551	\$ 15,313	\$ 15,559	\$ 16,301	\$ 20,184	\$ (41,810)	\$ 22,152	\$ 22,152	\$ 22,152	\$ 23,138	\$ 23,138	\$ 23,138	\$ 182,969
29														
Div 012														
30														
31														
32														
33	Payroll	\$243,898	\$ 152,509	\$ 192,506	\$ 167,175	\$ 215,981	\$ 145,881	\$ 212,892	\$ 212,892	\$ 212,892	\$ 222,369	\$ 222,369	\$ 222,369	\$ 2,423,734
34	Ad Valorem	\$ 52,800	\$ 52,600	\$ 52,600	\$ 52,600	\$ 52,600	\$ 52,600	\$ 60,100	\$ 60,100	\$ 60,100	\$ 52,600	\$ 52,600	\$ 52,600	\$ 653,700
35														
36	Total Tax Other Than Income Tax	\$296,498	\$ 205,109	\$ 245,106	\$ 219,775	\$ 268,581	\$ 198,481	\$ 272,992	\$ 272,992	\$ 272,992	\$ 274,969	\$ 274,969	\$ 274,969	\$ 3,077,434
37														
38	Allocation Factor to Kentucky Mid-States (Div 091)							10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	
39	Allocation Factor to Kentucky Jurisdiction (Div 009)							51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	
40														
41	Total Allocated Amount	\$ 16,727	\$ 11,571	\$ 13,828	\$ 12,398	\$ 15,152	\$ 11,197	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,512	\$ 15,512	\$ 15,512	\$ 173,608
42														
Div 091														
43														
44														
45														
46	Payroll	\$ 37,484	\$ 35,784	\$ 14,840	\$ 31,891	\$ 36,394	\$ 30,796	\$ 11,661	\$ 8,544	\$ 23,449	\$ 35,671	\$ 73,316	\$ 26,670	\$ 366,499
47	Payroll Tax Projects	\$ -	\$ 21	\$ 42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63
48	Ad Valorem	\$ 300	\$ (396,474)	\$ 300	\$ 300	\$ 300	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ (399,674)
49	Occupational Licenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
50														
51	Total Tax Other Than Income Tax	\$ 37,784	\$ (360,670)	\$ 15,181	\$ 32,191	\$ 36,694	\$ 31,596	\$ 12,461	\$ 9,344	\$ 24,249	\$ 36,471	\$ 74,116	\$ 27,470	\$ (23,112)
52														
53	Allocation Factor to Kentucky Mid-States (Div 091)							100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
54	Allocation Factor to Kentucky Jurisdiction (Div 009)							49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
55														
56	Total Allocated Amount	\$ 18,809	\$ (179,541)	\$ 7,557	\$ 16,025	\$ 18,266	\$ 15,729	\$ 6,203	\$ 4,651	\$ 12,071	\$ 18,155	\$ 36,895	\$ 13,674	\$ (11,505)

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Account 4081-Taxes Other than Income Tax by Sub-Account
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: _____ Base Period Forecasted Period
 Type of Filing: Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

FR 16(B)(c)2.3
 Schedule C-2.3 F
 Witness: Waller

Line No.	Description	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Total	
		Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20		Mar-20
Div 009														
1														
2														
3	Payroll	19,472	23,062	20,042	22,493	13,986	49,875	18,239	64,282	10,577	45,026	22,712	46,194	355,960
4	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Ad Valorem - Accrual	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	5,910,122
6	Dot Transmission User Tax	-	137,062	-	-	-	-	-	-	-	-	-	-	137,062
7	Taxes Property and Other	45,644	43	-	16,431	211	83	11,110	66	339	22,305	-	2,869	99,099
8	Public Service Commission Assessment	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	339,436
9	Allocation for taxes other CSC	15,512	15,512	15,512	15,512	15,512	15,512	15,888	15,888	15,888	15,888	15,888	15,888	188,397
10	Allocation from taxes other SS	23,138	23,138	23,138	23,138	23,138	23,138	23,688	23,688	23,688	23,688	23,688	23,688	280,956
11	Allocation from taxes other Gen Office	16,273	18,515	15,181	13,734	17,519	2,397	18,688	37,990	14,073	19,617	18,767	8,050	200,805
12														
13	Total	\$ 640,835	\$ 738,129	\$ 594,659	\$ 612,104	\$ 591,163	\$ 611,801	\$ 608,409	\$ 662,710	\$ 585,360	\$ 647,320	\$ 601,852	\$ 617,486	\$ 7,511,837
14														
Div 002														
15														
16														
17														
18	Payroll	\$ 353,794	\$ 353,794	\$ 353,794	\$ 353,794	\$ 353,794	\$ 353,794	\$ 364,408	\$ 364,408	\$ 364,408	\$ 364,408	\$ 364,408	\$ 364,408	4,309,211
19	Ad Valorem	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	\$ 93,139	1,117,658
20	Benefit Load Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Taxes Property And Other	-	-	-	-	-	-	-	-	-	-	-	-	-
22														
23	Total Tax Other Than Income Tax	\$ 446,933	\$ 446,933	\$ 446,933	\$ 446,933	\$ 446,933	\$ 446,933	\$ 457,547	\$ 457,547	\$ 457,547	\$ 457,547	\$ 457,547	\$ 457,547	\$ 5,426,879
24														
25	Allocation Factor to Kentucky Mid-States (Div 091)	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	
26	Allocation Factor to Kentucky Jurisdiction (Div 009)	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
27														
28	Total Allocated Amount from Div 2	23,138	23,138	23,138	23,138	23,138	23,138	23,688	23,688	23,688	23,688	23,688	23,688	\$ 280,956
29														
Div 012														
30														
31														
32														
33	Payroll	\$ 222,369	\$ 222,369	\$ 222,369	\$ 222,369	\$ 222,369	\$ 222,369	\$ 229,040	\$ 229,040	\$ 229,040	\$ 229,040	\$ 229,040	\$ 229,040	2,708,452
34	Ad Valorem	\$ 52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	631,200
35														
36	Total Tax Other Than Income Tax	\$ 274,969	\$ 274,969	\$ 274,969	\$ 274,969	\$ 274,969	\$ 274,969	\$ 281,640	\$ 281,640	\$ 281,640	\$ 281,640	\$ 281,640	\$ 281,640	\$ 3,339,652
37														
38	Allocation Factor to Kentucky Mid-States (Div 091)	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	
39	Allocation Factor to Kentucky Jurisdiction (Div 009)	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	
40														
41	Total Allocated Amount from Div 12	15,512	15,512	15,512	15,512	15,512	15,512	15,888	15,888	15,888	15,888	15,888	15,888	\$ 188,397
42														
Div 091														
43														
44														
45														
46	Payroll	\$ 31,891	\$ 36,394	\$ 29,696	\$ 26,789	\$ 34,394	\$ 4,015	\$ 36,741	\$ 75,516	\$ 27,470	\$ 38,808	\$ 36,879	\$ 15,328	\$ 393,719
47	Payroll Tax Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ 44	66
48	Ad Valorem	800	800	800	800	800	800	800	800	800	800	800	800	9,600
49	Occupational Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-
50														
51	Total Tax Other Than Income Tax	\$ 32,691	\$ 37,194	\$ 30,496	\$ 27,589	\$ 35,194	\$ 4,815	\$ 37,541	\$ 76,316	\$ 28,270	\$ 39,408	\$ 37,701	\$ 16,172	\$ 403,385
52														
53	Allocation Factor to Kentucky Mid-States (Div 091)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
54	Allocation Factor to Kentucky Jurisdiction (Div 009)	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
55														
56	Total Allocated Amount from Div 91	18,273	18,515	15,181	13,734	17,519	2,397	18,688	37,990	14,073	19,617	18,767	8,050	\$ 200,805

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(d) SCHEDULE D

Operating Income Summary

Schedule	Pages	Description
D-1	4	Summary of Utility Jurisdictional Adjustments to Operating Income by Account
D-2.1	1	Detailed Adjustments
D-2.2	1	Detailed Adjustments
D-2.3	1	Detailed Adjustments

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Summary of Utility Jurisdictional Adjustments to
 Operating Income by Major Accounts
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s)

FR 16(8)(d)1
 Schedule D-1
 Witness: Wailer, Densman

Line No.	Account No. & Title	Base Period	Title of Adjustment					Total ADJUST.
			D-2.1 ADJ 1	D-2.1 ADJ 2	D-2.1 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	
	SALE of Gas							
1	480 Gas Rev - Residential	106,055,302	(9,535,811)					(9,535,811)
2	480 Gas Rev - Commercial	45,531,133	(3,923,113)					(3,923,113)
3	480 Gas Rev - Industrial	6,051,221	(680,837)					(680,837)
4	480 Gas Rev - Public Authority & Other	7,513,898	(764,092)					(764,092)
5								
6								
7	Total SALE of Gas	165,151,555	(14,903,853)	0	0	0	0	(14,903,853)
8								
9	Other Operating Income							
10	Forfeited discounts	1,388,389		(83,424)				(83,424)
11	488 MISC. Service Revenues	792,006		14,048				14,048
12	489 Revenue From Transporting Gas to Others	17,013,346		(2,131,964)				(2,131,964)
13	495 Other Gas Service Revenue	1,148,568		1,329,195				1,329,195
14								
15	Total Other Operating Income	20,342,309	0	(872,145)	0	0	0	(872,145)
16								
17	Total Operating Revenue	185,493,864	(14,903,853)	(872,145)	0	0	0	(15,775,998)
18								
19	Other Gas Supply Expenses - Operation							
20	803/804/812 Gas Purchase Costs	83,882,422			(5,500,067)			(5,500,067)
21								
22	Total Other Gas Supply Expenses - Operation	83,882,422	0	0	(5,500,067)	0	0	(5,500,067)
23								
24	Total Plant Revenue	101,611,442	(14,903,853)	(872,145)	5,500,067	0	0	(10,275,930)
25								
26	Blended Effective Tax Rate	24.95%	(3,718,511)	(217,600)	1,372,267	0	0	(2,563,845)
27								
28	NET Operating Income Impact		(11,185,341)	(654,545)	4,127,801	0	0	(7,712,086)

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Summary of Utility Jurisdictional Adjustments to
 Operating Income by Major Accounts
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(B)(d)1
 Schedule D-1
 Witness: Wailer, Densman

Line No.	ACCOUNT No. & Title	Base Period	Title of Adjustment					GRAND Total ADJUST.
			D-2.2 ADJ 1	D-2.2 ADJ 2	D-2.2 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	
29	7590 814 Storage Supervision & Engineering	-	-	-	-	-	-	-
30	8140 814 Storage Supervision & Engineering	-	-	-	-	-	-	-
31	8150 815 Maps and records	-	-	-	-	-	-	-
32	8160 816 Storage Wells Expense	326,734	(1,090)	-	-	-	-	(1,090)
33	8170 817 Storage Lines Expense	22,639	(648)	(297)	(297)	-	-	(1,241)
34	8180 818 Storage Compressor Station	28,860	(523)	(22)	(22)	-	-	(566)
35	8190 819 Storage Compressor Station Fuel	879	-	(143)	(143)	-	-	(287)
36	8200 820 Storage Measuring & Regulating	6,847	(69)	(220)	(220)	-	-	(510)
37	8210 821 Storage Purification	54,469	(1,370)	(335)	(335)	-	-	(2,040)
38	8240 824 Storage Other Expense	-	-	-	-	-	-	-
39	8250 825 Storage Royalties	10,451	-	(1,706)	(1,706)	-	-	(3,412)
40	8310 831 Storage Maintenance Structure	13,541	-	-	-	-	-	-
41	8320 832 Storage Maintenance Res	-	-	-	-	-	-	-
42	8340 834 Storage Maintenance Compressor	3,463	(115)	-	-	-	-	(115)
43	8350 835 Storage Maintenance Meas/Reg	-	-	-	-	-	-	-
44	8360 836 Storage Maintenance Purification	-	-	-	-	-	-	-
45	8370 837 Maintenance of other equipment	-	-	-	-	-	-	-
46	8400 840 Other Storage Expense	-	-	-	-	-	-	-
47	8410 841 Storage Operation	71,800	(2,227)	-	-	-	-	(2,227)
48	8470 847 Storage Maintenance	-	-	-	-	-	-	-
49	8500 850 Trsm Supervision & Engineering	47	-	-	-	-	-	-
50	8520 852 Communication system expenses	-	-	-	-	-	-	-
51	8550 855 Other Fuel & Power Comp	368	-	(60)	(60)	-	-	-
52	8560 856 Trsm Mains Expense	395,189	(6,907)	(1,863)	(1,863)	-	-	(10,633)
53	8570 857 Trsm Measuring & Regulating	29,427	(724)	(1,145)	(1,145)	-	-	(3,014)
54	8590 859 Trsm Other Exp	-	-	-	-	-	-	-
55	8600 860 Rents	-	-	-	-	-	-	-
56	8620 862 Trsm Structure & Improvements	-	-	-	-	-	-	-
57	8630 863 Trsm Maint of Mains	16,570	(534)	-	-	-	-	(534)
58	8640 864 Trsm Maint Comp Sta Equip	-	-	-	-	-	-	-
59	8650 865 Trsm Maint Meas/Reg Sta	-	-	-	-	-	-	-
60	8670 867 Trsm Maint Other Eq	-	-	-	-	-	-	-
61	8700 870 Dist Supervision & Engineering	1,452,843	(14,403)	(8,545)	(8,545)	-	-	(31,493)
62	8710 871 Dist Load Dispatching	792	-	(129)	(129)	-	-	(259)
63	8711 8711 Odorization	26,727	-	-	-	-	-	-
64	8720 872 Dist Comp Sta	-	-	-	-	-	-	-
65	8740 874 Dist Main/Ser Exp	4,585,210	(58,399)	(9,104)	(9,104)	-	-	(76,608)
66	8750 875 Dist Meas/Reg Sta-Gen	618,282	(14,798)	(204)	(204)	-	-	(15,206)
67	8760 876 Dist Meas/Reg Sta-Ind	125,801	(4,134)	-	-	-	-	(4,134)
68	8770 877 Dist Meas/Reg Sta-Cty.	45,140	-	(679)	(679)	-	-	(1,357)
69	8780 878 Dist Mtr/House Reg	848,813	(26,085)	(2,205)	(2,205)	-	-	(30,496)
70	8790 879 Dist Cust Install	3,009	-	-	-	-	-	-
71	8800 880 Dist Other Exp	5,729	2	-	-	-	-	2
72	8810 881 Dist Rents	443,578	-	(72,071)	(72,071)	-	-	(144,142)
73	8850 885 Dist Maint Super/Eng	1,232	-	-	-	-	-	-
74	8860 886 Dist Maint Struct/Improv	131	-	-	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Summary of Utility Jurisdictional Adjustments to
 Operating Income by Major Accounts
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(d)1
 Schedule D-1
 Witness: Waller, Densman

Line No.	Account No. & Title	Base Period	Title of Adjustment					GRAND Total ADJUST.
			D-2.2 ADJ 1	D-2.2 ADJ 2	D-2.2 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	
75	8870 887 Dist Maint of Mains	30,074	(783)	(5)	(5)	-	-	(793)
76	8890 889 Dist Maint Meas/Reg Sta-Gen	71,786	(1,747)	(1,204)	(1,204)	-	-	(4,154)
77	8900 890 Dist Maint Meas/Reg Sta-Ind	2,114	(22)	-	-	-	-	(22)
78	8910 891 Dist Maint Meas/Reg Sta-City	950	-	(155)	(155)	-	-	(310)
79	8920 892 Dist Maint of Ser	6,794	(226)	-	-	-	-	(226)
80	8930 893 Dist Maint Mtr/House Reg	-	-	-	-	-	-	-
81	8940 894 Dist Maint Other Eq	7,847	-	-	-	-	-	-
82	8950 895 Maintenance of Other Plant	-	-	-	-	-	-	-
83	9010 901 Cust Accts Supervision	-	-	-	-	-	-	-
84	9020 902 Cust Accts Mtr Exp	1,127,896	(15,948)	(701)	(701)	-	-	(17,350)
85	9030 903 Cust Accts Records/Collections	1,283,457	(14,682)	(30)	(30)	-	-	(14,742)
86	9040 904 Cust Accts Uncoll Accts	549,343	-	-	-	(208,293)	-	(208,293)
87	9070 907 Cust Accts Supervision	-	-	-	-	-	-	-
88	9080 908 Customer Assistance Expenses	-	-	-	-	-	-	-
89	9090 909 Cust Ser Supervision	129,523	(3,583)	-	-	-	-	(3,583)
90	9100 910 Cust Ser Assist Exp	-	-	-	-	-	-	-
91	9110 911 Cust Ser Info Adv Exp	253,382	(6,378)	-	-	-	-	(6,378)
92	9120 912 Demonstrating and Selling Expenses	143,981	-	-	-	-	-	-
93	9130 913 Advertising Expenses	43,530	-	-	-	-	-	-
94	9160 916 Sales Promo Demo/Selling	-	-	-	-	-	-	-
95	9200 920 Administrative and General Salaries	132,956	(4,516)	-	-	-	-	(4,516)
96	9210 921 Adm Gen Office Supply	19,311	-	-	-	-	-	-
97	9220 922 Administrative Expense Transferred	13,030,745	-	-	-	-	1,468,019	1,468,019
98	9230 923 Adm Gen Outside Services Empl	359,911	-	-	-	-	-	-
99	9240 924 Property Insurance	88,358	-	-	-	-	-	-
100	9250 925 Adm Gen Injuries/Damages	79,906	-	-	-	-	-	-
101	9260 926 Adm Gen Empl Pen/Ben	1,821,264	(16,969)	-	-	-	-	(16,969)
102	9270 927 Adm Gen Franchise Req	800	-	-	-	-	-	-
103	9280 928 Adm Gen Reg Comm Exp	92,766	-	-	-	-	-	-
104	9290 929 Uniforms capitalized	-	-	-	-	-	-	-
105	9301 9301 Adm Gen Goodwill Adv	-	-	-	-	-	-	-
106	9302 9302 Adm Gen Gen Exp	83,791	-	-	-	-	-	-
107	9310 931 A&G-Rents	13,266	-	(2,166)	(2,166)	-	-	(4,332)
108	9320 932 Adm Gen Maint Gen Plant	18,812	-	-	-	-	-	-
109	Total	28,531,137	(196,878)	(102,990)	(102,990)	(208,293)	1,468,019	856,988
110	Labor and Benefits	7,010,809	(196,878)	-	-	-	-	(196,878)
111	Rent, Maintenance and Utilities	630,787	-	(102,990)	-	-	-	(102,990)
112	Other O&M	15,500,391	-	-	(102,990)	-	-	(102,990)
113	Bad Debt	549,343	-	-	-	(208,293)	-	(208,293)
114	Costs allocated from SSU and KY-MDS General Office	13,030,745	0	(0)	(372,871)	-	1,468,019	1,095,148
115	Total	36,722,076	(196,878)	(102,990)	(475,861)	(208,293)	1,468,018	483,997
116	Blended Effective Tax Rate	24.95%	49,121	25,696	118,727	51,989	(366,271)	(120,757)
117	NET Operating Income Impact	-	(147,757)	(77,294)	(357,134)	(156,324)	1,101,748	363,239

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Summary of Utility Jurisdictional Adjustments to
 Operating Income by Major Accounts
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(B)(d)1
 Schedule D-1
 Witness: Waller, Densman

Line No.	Account No. & Title	Base Period	Title of Adjustment					Total ADJUST.
			D-2.3 ADJ 1	D-2.3 ADJ 2	D-2.1 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	
118	403 DEPRECIATION Expense	20,643,162	2,458,934					2,458,934
119	404 Amortization Expense	0						0
120	406 AMORT. - Gas Plant AQUIST.	24,559						0
121								
122	Total DEPRECIATION and Amortization	20,667,720	2,458,934					2,458,934
123								
124	Blended Effective Tax Rate	24.95%	613,504					613,504
125								
126	NET Operating Income Impact		1,845,430					1,845,430
127								
128								
129								
130								
131	408 Taxes, Other than Income	6,491,574		1,020,263				1,020,263
132								
133	Blended Effective Tax Rate	24.95%		254,556				254,556
134								
135	NET Operating Income Impact			765,708				765,708

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Detailed Adjustments
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
Type of Filing: Original Updated
Workpaper Reference No(s).

FR 16(8)(d)2.1
Schedule D-2.1

Witness: Waller, Densman

LN NO	Purpose and Description		Amount
1	ADJ1		
2	SALE of Gas-Residential - the purpose of this Adjustment is to reflect the normalization of volumes	Forecasted	\$96,519,490
3	due to cold weather in base period, and changes in gas costs between the periods	Base	<u>106,055,302</u>
4		Adjustment	(\$9,535,811)
5			-9.0%
6			
7	SALE of Gas-Commercial - the purpose of this Adjustment is to reflect the normalization of volumes	Forecasted	\$41,608,020
8	due to cold weather in base period, and changes in gas costs between the periods	Base	<u>45,531,133</u>
9		Adjustment	(\$3,923,113)
10			-8.6%
11			
12	SALE of Gas-Industrial - the purpose of this Adjustment is to reflect known and measurable changes,	Forecasted	\$5,370,385
13	increases and reductions, shifts from base period to test year and	Base	<u>6,051,221</u>
14	changes in gas costs between the periods.	Adjustment	(\$680,837)
15			-11.3%
16			
17	SALE of Gas-Public Authority - The purpose of this Adjustment is to reflect the normalization of	Forecasted	\$6,749,807
18	volumes due to cold weather in base period, and changes in gas costs between the periods	Base	<u>7,513,898</u>
19		Adjustment	(\$764,092)
20			-10.2%
21			
22	SALE of Gas - Unbilled - no adjustment.	Forecasted	\$0
23		Base	<u>0</u>
24		Adjustment	\$0
25			0.0%
26	ADJ2		
27	Forfeited discounts - the purpose of this adjustment is to reflect anticipated changes in the billed late	Forecasted	\$1,304,965
28	payment fees from the base period to the test year.	Base	<u>1,388,389</u>
29		Adjustment	(\$83,424)
30			-6.0%
31			
32	Misc Service Revenues - the purpose of this adjustment is to reflect modest reduction in service charge	Forecasted	\$806,054
33	revenues for the base period.	Base	<u>792,006</u>
34		Adjustment	\$14,048
35			1.8%
36			
37	Revenue from Transportation - the purpose of this Adjustment is to reflect known and measurable	Forecasted	\$14,881,382
38	changes in demand for existing industries and account for migration to/from transportation service	Base	<u>17,013,346</u>
39		Adjustment	(\$2,131,964)
40			-12.5%
41			
42	Other gas service revenues - the purpose of this adjustment is to reflect pro forma adjustments for	Forecasted	\$2,477,763
43	individual customers and special contract reformations	Base	<u>1,148,568</u>
44		Adjustment	\$1,329,195
45			115.7%
46	ADJ3		
47	Gas Purchase Costs - The purpose of this Adjustment is to reflect the purchase quantities	Forecasted	\$78,382,354
48	for sales service. The Base Period includes Unbilled Gas Costs that will zero out by the end	Base	<u>83,882,422</u>
49	of the base period when replaced by actuals. Gas costs in the Forecasted Period are lower	Adjustment	(\$5,500,067)
50	primarily due to lower estimated GCA price		-6.6%
51			
52			
53			
54	Summary of Revenue Adjustments.		
55	Base Year Revenues		185,493,864
56	Base Year Gas Costs		<u>83,882,422</u>
57	Base Year Gross Profit		101,611,442
58			
59	Test Year Revenues		169,717,866
60	Test Year Gas costs		<u>78,382,354</u>
61	Test Year Gross Profit		91,335,512

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Detailed Adjustments
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference No(s).

FR 16(8)(d)2.2
 Schedule D-2.2

Witness: Waller, Densman

LN	NO Purpose and Description		Amount
1	ADJ 1		
2	Labor and Benefits - The purpose of this adjustment is to account for forecasted labor and benefits expense	Forecasted	6,813,931
3	due primarily to adjustments to labor capitalization rate versus the base period.	Base	<u>7,010,809</u>
4	Benefits are projected as a fixed benefit load percentage of labor expense plus an amount for workers' comp	Adjustment	(196,878)
5	insurance. This adjustment pertains to labor and benefits for Kentucky operations.		-2.8%
6			
7	ADJ 2		
8	Rent, Maintenance and Utilities - The purpose of this adjustment is to account for forecasted rent, maintenance	Forecasted	527,796
9	and utilities. Unlike other O&M categories that are likely to increase with normal inflation, our building rents are	Base	<u>630,787</u>
10	driven by leases already in place and can therefore be projected with a high level of accuracy. The rent portion	Adjustment	(\$102,990)
11	of this O&M category was projected by reviewing actual lease amounts. This adjustment pertains to expenses		-16.3%
12	for Kentucky operations.		
13			
14	ADJ 3		
15	Other O&M - The purpose of this adjustment is to account for projected changes in O&M expenses other than	Forecasted	6,833,591
16	labor, benefits, rent, and bad debt.	Base	<u>7,309,452</u>
17	This adjustment pertains to expenses for Kentucky operations.	Adjustment	(\$475,861)
18			-6.5%
19			
20	ADJ 4		
21	Bad Debt - The purpose of this adjustment is to account for anticipated bad debt costs due to uncollectible	Forecasted	341,050
22	accounts. The projection is made by calculating 0.50% of residential, commercial and public authority	Base	<u>549,343</u>
23	margins from the revenues projection.	Adjustment	(\$208,293)
24			-61.1%
25	ADJ 5		
26	Costs allocated from Shared Services and Kentucky-Mid States General Office - The purpose of this	Forecasted	14,498,764
27	adjustment is to account for the forecasted amount of expenses that are allocated to Kentucky from the	Base	<u>13,030,746</u>
28	Shared Services Unit and Division General Office.	Adjustment	\$1,468,018
29			11.3%
30			
31	<u>Summary of O & M adjustments.</u>	Forecasted	29,015,133
32		Base	<u>28,531,137</u>
33		Adjustment	\$483,996
34			1.7%

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Detailed Adjustments
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period FR 16(8)(d)2.3
 Type of Filing: Original Updated Revised Schedule D-2.3
 Workpaper Reference No(s) _____ Witness: Waller, Densman

LN	NO Purpose and Description	Amount
1	<u>ADJ1</u>	
2	Depreciation Expense - The purpose of this adjustment is to reflect the change in	Forecasted
3	depreciation expense due to the increased level of depreciable plant investment.	Base
4		Adjustment
5		\$23,102,096
6		20,643,162
7		\$2,458,934
8		11.9%
9	<u>ADJ2</u>	
10	Taxes Other - The purpose of this adjustment is to account for anticipated	Forecasted
	changes in Taxes, Other than Income Taxes	Base
		Adjustment
		\$7,511,837
		6,491,574
		\$1,020,263
		15.7%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(e) SCHEDULE E

Income Tax Calculation

Schedule	Pages	Description
E	1	Income Tax Calculation

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Computation of State & Federal Income Tax
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____
 FR 16(8)(e)
 Schedule E
 Witness: Waller, Story

Line No.	Description	Base Period Unadjusted (1)	Adjustments (2)	Test Period Fully Adjusted (3)	Sched. Ref.
1	Operating Income before Income Tax & Interest	\$ 33,822,603	\$ (259,977)	\$ 33,562,626	C-2
2	Interest Deduction	8,488,094	876,930	9,365,025	*
3	Taxable Income	\$ 25,334,509	\$ (1,136,908)	\$ 24,197,601	
4	Composite Tax Rate (state & federal)	24.950%		24.950%	**
5	State & Federal Income Tax	\$ 6,320,960	\$ (283,658)	\$ 6,037,302	
<u>* Interest Expense Calculation:</u>					
6	13 Month Average Rate Base	\$414,053,383		\$495,967,913	B-1
7	Weighted cost of Debt	2.05%		1.89%	J-1
8	Interest Expense	\$ 8,488,094		\$ 9,365,025	
9	<u>2018 ** Composite Tax Rate Calculation: 5.00% + 21%(100% - 6.00%) = 24.95%</u>				
10	State Tax Rate	5.00%			
11	Federal Tax Rate	21.00%			

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(f)

SCHEDULE F

Schedule	Pages	Description
F-1	2	Social and Service Club Dues
F-2.1	1	Charitable Contributions
F-2.2	1	Initiation Fees/Country Club Expenses
F-2.3	1	Employee Party, Outing and Gift Expenses
F-3	1	Sales and Advertising Expenses
F-4	1	Advertising
F-5	1	Professional Service Expenses
F-6	1	Projected Rate Case Expense
F-7	1	Civic, Political and Related Activities
F-8	1	Expense Reports
F-9	1	Leases
F-10	1	Incentive Compensation Expense

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 SOCIAL and Service CLUB DUES
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period FR 16(8)(f)
 Type of Filing: Original Updated Revised Schedule F-1
 Workpaper Reference No(s) Witness: Waller

Line	No.	Account No	Social Organization/Service Club	Total Utility	Jurisdictional %	Jurisdiction
BASE PERIOD						
1	Various		AGA	44,365	100%	44,365
2	Various		MCLEAN COUNTY CHAMBER OF COMMERCE	100		100
3	Various		LAKE BARKLEY CHAMBER OF COMMERCE	140		140
4	Various		LEADERSHIP KENTUCKY FOUNDATION INC.	100		100
5	Various		LAKE NEWS	27		27
6	Various		NACE INTERNATIONAL	130		130
7	Various		PENNYRILE BOARD OF REALTORS	75		75
8	Various		KENTUCKY COUNTY JUDGE EXECUTIVE ASSOCIATION	200		200
9	Various		CAMPBELLVILLE / TAYLOR COUNTY CHAMBER OF COMMERCE	59		59
10	Various		PRINCETON / CALDWELL COUNTY CHAMBER OF COMMERCE	510		510
11	Various		GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	2,500		2,500
12	Various		GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	1,250		1,250
13	Various		GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	75		75
14	Various		CAVE CITY CHAMBER OF COMMERCE	200		200
15	Various		HOPKINSVILLE CHRISTIAN AND TODD COUNTY ASSN OF REALT	150		150
16	Various		HOME BUILDERS ASSOCIATION OF OWENSBORO	300		300
17	Various		TRIGG COUNTY CHAMBER OF COMMERCE	235		235
18	Various		KENTUCKY GAS ASSOCIATION	250		250
19	Various		BUILDING INDUSTRY ASSOCIATION OF GREATER LOUISVILLE	421		421
20	Various		OHIO COUNTY CHAMBER OF COMMERCE	300		300
21	Various		PADUCAH AREA CHAMBER OF COMMERCE	350		350
22	Various		GREATER OWENSBORO ECONOMIC DEVELOPMENT CORP	10,000		10,000
23	Various		KENTUCKY CHAMBER OF COMMERCE	13,735		13,735
24	Various		MARION COUNTY CHAMBER OF COMMERCE	400		400
25	Various		GREATER BRECKINRIDGE COUNTY CHAMBER OF COMMERCE	150		150
26	Various		GREATER OWENSBORO CHAMBER OF COMMERCE	760		760
27	Various		HOPKINS COUNTY HOME BUILDERS ASSOCIATION	295		295
28	Various		ANDERSON COUNTY CHAMBER OF COMMERCE	300		300
29	Various		ANDERSON COUNTY CHAMBER OF COMMERCE	3,000		3,000
30	Various		GREENSBURG / GREEN COUNTY CHAMBER OF COMMERCE	200		200
31	Various		MAYFIELD /GRAVES COUNTY CHAMBER OF COMMERCE	775		775
32	Various		KENTUCKY ASSOCIATION OF MASTER CONTRACTORS INC	2,500		2,500
33	Various		GREATER MUHLENBERG CHAMBER OF COMMERCE	187		187
34	Various		SHELBY COUNTY CHAMBER OF COMMERCE	2,999		2,999
35	Various		ECONOMIC DEVELOPMENT COUNCIL	11,000		11,000
36	Various		CHRISTIAN COUNTY CHAMBER OF COMMERCE	1,348		1,348
37	Various		MAD HOP CO BOARD OF REALTORS	100		100
38	Various		KENTUCKY RESTAURANT ASSOCIATION	395		395
39	Various		BOWLING GREEN AREA CHAMBER OF COMMERCE	7,500		7,500
40	Various		HOPKINS COUNTY REGIONAL CHAMBER OF COMMERCE	305		305
41	Various		REALTOR ASSOCIATION OF SOUTHERN KENTUCKY	200		200
42	Various		HOME BUILDERS ASSOCIATION	415		415
43	Various		DANVILLE BOYLE COUNTY CHAMBER OF COMMERCE	421		421
44	Various		GREATER OWENSBORO REALTOR ASSOCIATION	256		256
45	Various		KENTUCKY LAKE CHAMBER OF COMMERCE	500		500
46	Various		GRAND RIVERS CHAMBER OF COMMERCE	100		100
47	Various		CADIZ ROTARY CLUB	100		100
48	Various		DAWSON SPRINGS CHAMBER OF COMMERCE	75		75
49	Various		HOME BUILDERS ASSOCIATION	450		450
50	Various		OWENSBORO ASSN OF PLUMBING HEATING AND COOLING CON	100		100
51	Various		FRANKLIN-SIMPSON CHAMBER OF COMMERCE	1,000		1,000
52	Various		PADUCAH BOARD OF REALTORS INC	300		300
53	Various		AMERICAN SOCIETY OF MECHANICAL ENGINEERS	155		155
54	Various		OKLAHOMA ACCOUNTANCY BOARD	34		34
55	Various		TENNESSEE PROFESSIONAL ENGINEER (LICENSE RENEWAL)	140		140
56	Various		SAM'S CLUB	50		50
57	Various		KENTUCKY STATE TREASURER (NOTARY RENEWAL)	50		50
58	Various		SAM'S CLUB	20		20
59	Various		CITY OF STANFORD, KY (BUSINESS LICENSE)	70		70
60	Various		WARREN COUNTY CLERKS OFFICE	38		38
61	Various		NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	264		264
62	Various		TNTAP	409		409
63	Various		KENTUCKY OIL AND GAS ASSOCIATION	1,000		1,000
64	Various		LOGAN COUNTY HOME BUILDERS	350		350
65	Various		LINCOLN COUNTY CHAMBER OF COMMERCE	140		140
66	Various		SOCIETY FOR MARKETING PROFESSIONAL SERVICES	420		420
67	Various		CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
68	Various		CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
69	Various		GARRARD COUNTY CHAMBER OF COMMERCE	300		300
70	Various		HART COUNTY CHAMBER OF COMMERCE	200		200
71	Various		SOUTH WESTERN KENTUCKY ECONOMIC DEVELOPMENT COUN	11,000		11,000
Total Base Period				126,745		126,745

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 SOCIAL and Service CLUB DUES
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period FR 16(8)(f)
 Type of Filing: Original Updated Revised Schedule F-1
 Workpaper Reference No(s) Witness: Waller

Line	No.	Account No	Social Organization/Service Club	Total Utility	Jurisdictional %	Jurisdiction
TEST PERIOD						
1	Various		AGA	44,365	100%	44,365
2	Various		MCLEAN COUNTY CHAMBER OF COMMERCE	100		100
3	Various		LAKE BARKLEY CHAMBER OF COMMERCE	140		140
4	Various		LEADERSHIP KENTUCKY FOUNDATION INC.	100		100
5	Various		LAKE NEWS	27		27
6	Various		NACE INTERNATIONAL	130		130
7	Various		PENNYRILE BOARD OF REALTORS	75		75
8	Various		KENTUCKY COUNTY JUDGE EXECUTIVE ASSOCIATION	200		200
9	Various		CAMPBELLSVILLE / TAYLOR COUNTY CHAMBER OF COMMERCE	59		59
10	Various		PRINCETON / CALDWELL COUNTY CHAMBER OF COMMERCE	510		510
11	Various		GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	2,500		2,500
12	Various		GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	1,250		1,250
13	Various		GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	75		75
14	Various		CAVE CITY CHAMBER OF COMMERCE	200		200
15	Various		HOPKINSVILLE CHRISTIAN AND TODD COUNTY ASSN OF REALT	150		150
16	Various		HOME BUILDERS ASSOCIATION OF OWENSBORO	300		300
17	Various		TRIGG COUNTY CHAMBER OF COMMERCE	235		235
18	Various		KENTUCKY GAS ASSOCIATION	250		250
19	Various		BUILDING INDUSTRY ASSOCIATION OF GREATER LOUISVILLE	421		421
20	Various		OHIO COUNTY CHAMBER OF COMMERCE	300		300
21	Various		PADUCAH AREA CHAMBER OF COMMERCE	350		350
22	Various		GREATER OWENSBORO ECONOMIC DEVELOPMENT CORP	10,000		10,000
23	Various		KENTUCKY CHAMBER OF COMMERCE	13,735		13,735
24	Various		MARION COUNTY CHAMBER OF COMMERCE	400		400
25	Various		GREATER BRECKINRIDGE COUNTY CHAMBER OF COMMERCE	150		150
26	Various		GREATER OWENSBORO CHAMBER OF COMMERCE	760		760
27	Various		HOPKINS COUNTY HOME BUILDERS ASSOCIATION	295		295
28	Various		ANDERSON COUNTY CHAMBER OF COMMERCE	300		300
29	Various		ANDERSON COUNTY CHAMBER OF COMMERCE	3,000		3,000
30	Various		GREENSBURG / GREEN COUNTY CHAMBER OF COMMERCE	200		200
31	Various		MAYFIELD /GRAVES COUNTY CHAMBER OF COMMERCE	775		775
32	Various		KENTUCKY ASSOCIATION OF MASTER CONTRACTORS INC	2,500		2,500
33	Various		GREATER MUHLENBERG CHAMBER OF COMMERCE	187		187
34	Various		SHELBY COUNTY CHAMBER OF COMMERCE	2,999		2,999
35	Various		ECONOMIC DEVELOPMENT COUNCIL	11,000		11,000
36	Various		CHRISTIAN COUNTY CHAMBER OF COMMERCE	1,348		1,348
37	Various		MAD HOP CO BOARD OF REALTORS	100		100
38	Various		KENTUCKY RESTAURANT ASSOCIATION	395		395
39	Various		BOWLING GREEN AREA CHAMBER OF COMMERCE	7,500		7,500
40	Various		HOPKINS COUNTY REGIONAL CHAMBER OF COMMERCE	305		305
41	Various		REALTOR ASSOCIATION OF SOUTHERN KENTUCKY	200		200
42	Various		HOME BUILDERS ASSOCIATION	415		415
43	Various		DANVILLE BOYLE COUNTY CHAMBER OF COMMERCE	421		421
44	Various		GREATER OWENSBORO REALTOR ASSOCIATION	256		256
45	Various		KENTUCKY LAKE CHAMBER OF COMMERCE	500		500
46	Various		GRAND RIVERS CHAMBER OF COMMERCE	100		100
47	Various		CADIZ ROTARY CLUB	100		100
48	Various		DAWSON SPRINGS CHAMBER OF COMMERCE	75		75
49	Various		HOME BUILDERS ASSOCIATION	450		450
50	Various		OWENSBORO ASSN OF PLUMBING HEATING AND COOLING CON	100		100
51	Various		FRANKLIN-SIMPSON CHAMBER OF COMMERCE	1,000		1,000
52	Various		PADUCAH BOARD OF REALTORS INC	300		300
53	Various		AMERICAN SOCIETY OF MECHANICAL ENGINEERS	155		155
54	Various		OKLAHOMA ACCOUNTANCY BOARD	34		34
55	Various		TENNESSEE PROFESSIONAL ENGINEER (LICENSE RENEWAL)	140		140
56	Various		SAM'S CLUB	50		50
57	Various		KENTUCKY STATE TREASURER (NOTARY RENEWAL)	50		50
58	Various		SAM'S CLUB	20		20
59	Various		CITY OF STANFORD, KY (BUSINESS LICENSE)	70		70
60	Various		WARREN COUNTY CLERKS OFFICE	38		38
61	Various		NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	264		264
62	Various		TNTAP	409		409
63	Various		KENTUCKY OIL AND GAS ASSOCIATION	1,000		1,000
64	Various		LOGAN COUNTY HOME BUILDERS	350		350
65	Various		LINCOLN COUNTY CHAMBER OF COMMERCE	140		140
66	Various		SOCIETY FOR MARKETING PROFESSIONAL SERVICES	420		420
67	Various		CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
68	Various		CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
69	Various		GARRARD COUNTY CHAMBER OF COMMERCE	300		300
70	Various		HART COUNTY CHAMBER OF COMMERCE	200		200
71	Various		SOUTH WESTERN KENTUCKY ECONOMIC DEVELOPMENT COUN	11,000		11,000
Total Forecasted Period				126,745		126,745

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
CHARITABLE CONTRIBUTIONS
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s).

FR 16(8)(f)
Schedule F-2.1
Witness: Waller

Line No.	Account No.	Charitable Organization *	Total Utility	Jurisdictional %	Jurisdiction
BASE PERIOD					
1	Various	Education	\$ 36,363	100%	\$ 36,363
2	Various	United Way Agencies	\$ -		0
3	Various	Health	\$ -		0
4	Various	Museums & Arts	\$ 17,865		17,865
5	Various	Youth Clubs & Centers	\$ 6,350		6,350
6	Various	Community Welfare	\$111,309		111,309
7	Various	American Red Cross	\$ 5,000		5,000
8	Various	Salvation Army	\$ -		0
9	Various	Heat Help Assistance Programs	\$115,000		115,000
		Total	\$291,887		\$ 291,887
TEST PERIOD					
1	Various	Education	\$ 36,363	100%	\$ 36,363
2	Various	United Way Agencies	\$ -		0
3	Various	Health	\$ -		0
4	Various	Museums & Arts	\$ 17,865		17,865
5	Various	Youth Clubs & Centers	\$ 6,350		6,350
6	Various	Community Welfare	\$111,309		111,309
7	Various	American Red Cross	\$ 5,000		5,000
8	Various	Salvation Army	\$ -		0
9	Various	Heat Help Assistance Programs	\$115,000		115,000
		Total	\$291,887		\$ 291,887

Note: These items are not included in O&M and therefore not part of revenue requirements.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
INITIATION FEES/COUNTRY CLUB Expenses *
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(f)
 Schedule F-2.2
 Witness: Waller

Line No.	Account No.	Payee Organization	Base Period			Forecasted Period		
			Total Utility	Jurisdictional %	Jurisdiction	Total Utility	Jurisdictional %	Jurisdiction
1	Various	Owensboro Country Club (dues)	\$ -	100%	\$ -	\$ -	100%	\$ -
2	Various	OCC - Expenses	0		0	0		0
3		Total	\$ -		\$ -	\$ -		\$ -

NOTE: Country Club dues will be excluded from O & M and therefore, excluded from the revenue requirements. A/C 870.
 NOTE: There are no OCC expenses for the Base Period

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Employee PARTY, OUTING, and GIFT EXP.
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(f)
 Schedule F-2.3
 Witness: Waller

Line No.	Account No.	Description of Expenses	Base Period			Forecasted Period		
			Total Utility	Kentucky Jurisdictional	Allocated Amount	Total Utility	Kentucky Jurisdictional	Allocated Amount
1		Div 009						
2	Various	Sub Account 07421- Service Awards	\$ -	100%	\$ -	\$ -	100%	\$ -
3								
4		Total	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
5								
6		Div 091						
7	Various	Sub Account 07421- Service Awards	\$ 44,392	49.78%	\$ 22,098	\$ 37,359	49.78%	\$ 18,598
8								
9		Total	<u>\$ 44,392</u>		<u>\$ 22,098</u>	<u>\$ 37,359</u>		<u>\$ 18,598</u>
10								
11		Div 002						
12	Various	Sub Account 07421- Service Awards	\$ -	5.18%	\$ -	\$ -	5.18%	\$ -
13								
14		Total	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
15								
16		Div 012						
17	Various	Sub Account 07421- Service Awards	\$ 175,118	5.64%	\$ 9,879	\$ 300,931	5.64%	\$ 16,976
18								
19		Total	<u>\$ 175,118</u>		<u>\$ 9,879</u>	<u>\$ 300,931</u>		<u>\$ 16,976</u>
20								
21		Grand Total	<u><u>\$ 219,510</u></u>		<u><u>\$ 31,977</u></u>	<u><u>\$ 338,291</u></u>		<u><u>\$ 35,574</u></u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Customer Service and Informational SALES and General ADVERTISING Expense
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(f)
 Schedule F-3
 Witness: Waller

Line No.	Account Number	Description of Expenses	Base Period			Forecasted Period		
			Total Utility	Kentucky Jurisdictional	Allocated Amount	Total Utility	Kentucky Jurisdictional	Allocated Amount
1		Customer Service and Informational Expenses						
2								
3		Div 009						
4	907	Supervision (1)	\$ -	100%	\$ -	\$ -	100%	\$ -
5	908	Customer Assistance	-	100%	-	-	100%	-
6	909	Informational Advertising (1)	129,523	100%	129,523	128,272	100%	128,272
7	910	Miscellaneous Customer Service and Informational (1)	-	100%	-	-	100%	-
8		Total	\$ 129,523		\$ 129,523	\$ 128,272		\$ 128,272
9								
10		Div 091						
11	907	Supervision (1)	\$ -	49.78%	\$ -	\$ -	49.78%	\$ -
12	908	Customer Assistance	-	49.78%	-	-	49.78%	-
13	909	Informational Advertising (1)	-	49.78%	-	-	49.78%	-
14	910	Miscellaneous Customer Service and Informational (1)	1,363	49.78%	679	1,616	49.78%	804
15		Total	\$ 1,363		\$ 679	\$ 1,616		\$ 804
16								
17		Div 002						
18	907	Supervision (1)	\$ -	5.18%	\$ -	\$ -	5.18%	\$ -
19	908	Customer Assistance	-	5.18%	-	-	5.18%	-
20	909	Informational Advertising (1)	-	5.18%	-	-	5.18%	-
21	910	Miscellaneous Customer Service and Informational (1)	-	5.18%	-	-	5.18%	-
22		Total	\$ -		\$ -	\$ -		\$ -
23								
24		Div 012						
25	907	Supervision (1)	\$ -	5.64%	\$ -	\$ -	5.64%	\$ -
26	908	Customer Assistance	-	5.64%	-	-	5.64%	-
27	909	Informational Advertising (1)	-	5.64%	-	-	5.64%	-
28	910	Miscellaneous Customer Service and Informational (1)	-	5.64%	-	-	5.64%	-
29		Total	\$ -		\$ -	\$ -		\$ -
30								
31		Sales Expense						
32								
33		Div 009						
34	911	Supervision	\$ 253,382	100%	\$ 253,382	\$ 253,468	100%	\$ 253,468
35	912	Demonstration and Selling (1)	143,981	100%	143,981	115,937	100%	115,937
36	913	Advertising	43,530	100%	43,530	35,170	100%	35,170
37	916	Miscellaneous Sales Expense	-	100%	-	-	100%	-
38		Total	\$ 440,892		\$ 440,892	\$ 404,575		\$ 404,575
39								
40		Div 091						
41	911	Supervision	\$ 194,694	49.78%	\$ 96,918	\$ 210,011	49.78%	\$ 104,543
42	912	Demonstration and Selling (1)	0	49.78%	0	0	49.78%	0
43	913	Advertising	1,230	49.78%	612	1,458	49.78%	726
44	916	Miscellaneous Sales Expense	0	49.78%	0	0	49.78%	0
45		Total	\$ 195,923		\$ 97,531	\$ 211,468		\$ 105,269
46								
47		Div 002						
48	911	Supervision	\$ -	5.18%	\$ -	\$ -	5.18%	\$ -
49	912	Demonstration and Selling (1)	20,339	5.18%	1,053	22,686	5.18%	1,174
50	913	Advertising	-	5.18%	-	-	5.18%	-
51	916	Miscellaneous Sales Expense	-	5.18%	-	-	5.18%	-
52		Total	\$ 20,339		\$ 1,053	\$ 22,686		\$ 1,174
53								
54		Div 012						
55	911	Supervision	\$ -	5.64%	\$ -	\$ -	5.64%	\$ -
56	912	Demonstration and Selling (1)	-	5.64%	-	-	5.64%	-
57	913	Advertising	-	5.64%	-	-	5.64%	-
58	916	Miscellaneous Sales Expense	-	5.64%	-	-	5.64%	-
59		Total	\$ -		\$ -	\$ -		\$ -

(1) Included in these accounts are advertising and promotional advertising expenses which are considered Non-recoverable and will be Excluded from O & M for ratemaking and therefore the Revenue Requirements. These amounts are shown properly classified on Schedule F-4, Advertising.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
ADVERTISING

Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(f)
 Schedule F-4
 Witness: Waller

Line No.	Item (A)	Base Period					Forecasted Period		
		Sales or Promotional Advertising	Safety or Req by Law Advertising	Total Utility	Kentucky Jurisdictional	Allocated Amount	Sales or Promotional Advertising	Kentucky Jurisdictional	Allocated Amount
1	Div 009								
2	Newspaper, Magazine, bill stuffer & Other	\$ 184,693	\$ 4,894	\$ 189,587	100%	\$ 189,587	\$ 184,693	100%	\$ 184,693
3									
4	Div 091								
5	Newspaper, Magazine, bill stuffer & Other	1,363	318,911	320,275	49.78%	159,433	1,363	49.78%	679
6									
7	Div 002								
8	Newspaper, Magazine, bill stuffer & Other	209,133	-	209,133	5.18%	10,827	209,133	5.18%	10,827
9									
10	Div 012								
11	Newspaper, Magazine, bill stuffer & Other	1,752	-	1,752	5.64%	99	1,752	5.64%	99
12									
13	Grand Total	<u>\$ 396,941</u>	<u>\$ 323,806</u>	<u>\$ 720,747</u>		<u>\$ 359,946</u>	<u>\$ 396,941</u>		<u>\$ 196,297</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
PROFESSIONAL Service Expenses
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s): _____

FR 16(8)(f)
Schedule F-5
Witness: Waller

Line No.	Description	Base Period			Forecasted Period		
		Total Utility	Kentucky Jurisdictional	Allocated Amount	Total Utility	Kentucky Jurisdictional	Allocated Amount
<u>Account 923 - Outside Services Employed</u>							
1							
2	Div 009						
3	06111- Contract Labor	\$ (22,453)	100%	\$ (22,453)	\$ (21,192)	100%	\$ (21,192)
4	06121- Legal	\$ 382,365	100%	382,365	\$ 360,889	100%	360,889
5	Total	\$ 359,911		\$ 359,911	\$ 339,697		\$ 339,697
6							
7	Div 091						
8	06111- Contract Labor	\$ 35,196	49.78%	\$ 17,520	\$ 56,218	49.78%	\$ 27,985
9	06121- Legal	\$ 168,250	49.78%	83,755	\$ 268,746	49.78%	133,782
10	Total	\$ 203,446		\$ 101,275	\$ 324,964		\$ 161,767
11							
12	Div 002						
13	06111- Contract Labor	\$ 10,575,222	5.18%	\$ 547,492	\$10,595,303	5.18%	\$ 548,532
14	06121- Legal	\$ 454,128	5.18%	23,511	\$ 454,990	5.18%	23,555
15	Total	\$ 11,029,350		\$ 571,003	\$11,050,293		\$ 572,087
16							
17	Div 012						
18	06111- Contract Labor	\$ 614,020	5.64%	\$ 34,638	\$ 448,998	5.64%	\$ 25,329
19	06121- Legal	\$ 48,342	5.64%	2,727.06	\$ 35,350	5.64%	1,994.15
20	Total	\$ 662,361		\$ 37,365	\$ 484,348		\$ 27,323

Note: Rate Case related expenses are shown separately on Schedule F-6.

Amers Energy Corporation, Kentucky/Mid States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Projected Rate Case Expense

Date: X Base Period: X Forecasted Period: FR 16(8)(b)
 Type of Filing: X Original Updated Revised Schedule F-6
 Waiver Reference (if any): Waiver

Line #	Description	Amount
1	Accounting	
2	Class Cost Study - P. Raab	\$ 13,850
3	Cost of Capital - Vander Weide, J. H.	10,200
4	Depreciation - G. Watson	23,566
5	sub-totals	\$ 52,614
6	Legal Fees	
7	(J. Hughes/W. Hutchinson)	164,144
8	Employee Expense	
9	(airfare, lodging, meals, etc.)	22,810
10	Miscellaneous Expense	
11	(printing, advertising, etc.)	96,323
12		
13	Total Projected Rate Case Expense	\$ 337,904
14		
15		
16	Three (3) Year Amortization of Rate Case Expenses	\$ 112,434.56
17		

Date Source:
 F-6 Schedule Rate Case Expenses etc.

Rate Case (3 year Amortization)

Case No. 2017-00049		
Month	Revaluated Asset Balance	Amortization Expense
Mar-16	0	0
Apr-16	0	0
May-16	184,401	8,719
Jun-16	159,682	8,719
Jul-16	145,963	8,719
Aug-16	132,244	8,719
Sep-16	120,525	8,719
Oct-16	108,806	8,719
Nov-16	112,087	8,719
Dec-16	101,368	8,719
Jan-17	64,649	8,719
Feb-17	85,930	8,719
Mar-17	77,211	8,719
Apr-17	102,221	8,719
May-17	102,221	8,719
Jun-17	102,221	8,719
Jul-17	98,482	8,719
Aug-17	99,773	8,719
Sep-17	91,054	8,719
Oct-17	42,335	8,719
Nov-17	33,616	8,719
Dec-17	24,897	8,719
Jan-18	16,178	8,719
Feb-18	7,459	8,719
Mar-18	0	0
Apr-18	0	0
May-18	0	0
Jun-18	0	0
Jul-18	0	0
Aug-18	0	0
Sep-18	0	0
Oct-18	0	0
Nov-18	0	0
Dec-18	0	0
Jan-19	0	0
Feb-19	0	0
Mar-19	0	0

Case No. 2018-00281		
Month	Revaluated Asset Balance	Amortization Expense
Mar-16	0	0
Apr-16	327,834	9,370
May-16	318,565	9,370
Jun-16	309,295	9,370
Jul-16	296,825	9,370
Aug-16	290,456	9,370
Sep-16	281,086	9,370
Oct-16	271,717	9,370
Nov-16	262,347	9,370
Dec-16	252,978	9,370
Jan-17	243,608	9,370
Feb-17	234,239	9,370
Mar-17	224,869	9,370
Apr-17	215,500	9,370
May-17	206,130	9,370
Jun-17	196,760	9,370
Jul-17	187,391	9,370
Aug-17	178,021	9,370
Sep-17	168,652	9,370
Oct-17	159,282	9,370
Nov-17	149,913	9,370
Dec-17	140,543	9,370
Jan-18	131,174	9,370
Feb-18	121,804	9,370
Mar-18	112,435	9,370
Apr-18	103,065	9,370
May-18	93,695	9,370
Jun-18	84,325	9,370
Jul-18	74,955	9,370
Aug-18	65,585	9,370
Sep-18	56,215	9,370
Oct-18	46,845	9,370
Nov-18	37,475	9,370
Dec-18	28,105	9,370
Jan-19	18,735	9,370
Feb-19	9,365	9,370
Mar-19	0	0

Month	Balance	Total Amortization
Mar-16	0	0
Apr-16	0	0
May-16	164,401	8,719
Jun-16	156,682	8,719
Jul-16	148,963	8,719
Aug-16	138,244	8,719
Sep-16	129,525	8,719
Oct-16	120,806	8,719
Nov-16	112,087	8,719
Dec-16	103,368	8,719
Jan-17	64,649	8,719
Feb-17	85,930	8,719
Mar-17	77,211	8,719
Apr-17	390,428	18,069
May-17	378,338	18,069
Jun-17	366,248	18,069
Jul-17	342,151	18,069
Aug-17	324,072	18,069
Sep-17	305,994	18,069
Oct-17	287,916	18,069
Nov-17	269,838	18,069
Dec-17	252,779	18,069
Jan-18	235,720	18,069
Feb-18	218,661	18,069
Mar-18	201,602	18,069
Apr-18	184,543	18,069
May-18	167,484	18,069
Jun-18	150,425	18,069
Jul-18	133,366	18,069
Aug-18	116,307	18,069
Sep-18	99,248	18,069
Oct-18	82,189	18,069
Nov-18	65,130	18,069
Dec-18	48,071	18,069
Jan-19	31,012	18,069
Feb-19	13,953	18,069
Mar-19	(3,106)	18,069

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
CIVIC, POLITICAL and RELATED ACTIVITIES
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s).

FR 16(8)(f)
Schedule F-7
Witness: Waller

Line No.	Item (A)	Base Period			Forecasted Period		
		Total Utility	Kentucky Jurisdictional	Allocated Amount	Total Utility	Kentucky Jurisdictional	Allocated Amount
1	Div 009						
2	Donations (1)	\$ -	100%	\$ -	\$ -	100%	\$ -
3	Civic Duties (2)	-	100%	-	-	100%	-
4	Political Activities (3)	55,500	100%	55,500	55,500	100%	55,500
5	Other	-	100%	-	-	100%	-
6	Total	<u>\$ 55,500</u>		<u>\$ 55,500</u>	<u>\$ 55,500</u>		<u>\$ 55,500</u>
7							
8	Div 091						
9	Donations (1)	\$ -	49.78%	\$ -	\$ -	49.78%	\$ -
10	Civic Duties (2)	-	49.78%	-	-	49.78%	-
11	Political Activities (3)	2,202	49.78%	1,096	2,202	49.78%	1,096
12	Other	-	49.78%	-	-	49.78%	-
13	Total	<u>\$ 2,202</u>		<u>\$ 1,096</u>	<u>\$ 2,202</u>		<u>\$ 1,096</u>
14							
15	Div 002						
16	Donations (1)	\$ -	5.18%	\$ -	\$ -	5.18%	\$ -
17	Civic Duties (2)	-	5.18%	-	-	5.18%	-
18	Political Activities (3)	562,154	5.18%	29,103	562,154	5.18%	29,103
19	Other	-	5.18%	-	-	5.18%	-
20	Total	<u>\$ 562,154</u>		<u>\$ 29,103</u>	<u>\$ 562,154</u>		<u>\$ 29,103</u>
21							
22	Div 012						
23	Donations (1)	\$ -	5.64%	\$ -	\$ -	5.64%	\$ -
24	Civic Duties (2)	-	5.64%	-	-	5.64%	-
25	Political Activities (3)	-	5.64%	-	-	5.64%	-
26	Other	-	5.64%	-	-	5.64%	-
27	Total	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
28							
29	Grand Total	<u>\$ 619,856</u>		<u>\$ 85,700</u>	<u>\$ 619,856</u>		<u>\$ 85,700</u>

Notes:

- (1) These donations represent Economic Development Contributions, all Other civic donations are Included on Schedule F-2.1, Charitable Contributions.
- (2) All civic Memberships are Included on Schedule F-1, Social and Service Club Dues.
- (3) These expenses are recorded below the line and therefore not included in O&M.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
EMPLOYEE EXPENSE REPORT EXCLUSIONS

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(f)
 Schedule F-8
 Witness: Waller

Line No.	Description	Base Period			Forecasted Period		
		Amount	Kentucky Jurisdictional	Allocated Amount	Amount	Kentucky Jurisdictional	Allocated Amount
1	Div 009	\$ 34,636	100.00%	\$ 34,636	\$ 34,636	100%	\$ 34,636
2							
3	Div 091	45,057	49.78%	22,429	45,057	49.78%	22,429
4							
5	Div 002	358,332	5.18%	18,551	358,332	5.18%	18,551
6							
7	Div 012	150,085	5.64%	8,467	150,085	5.64%	8,467
8							
9	Total Expense Report Exclusions	<u>\$ 588,109</u>		<u>\$ 84,083</u>	<u>\$588,109</u>		<u>\$ 84,083</u>

NOTE: This amount is included on ratemaking adjustments on Schedule C-2 and therefore excluded from the Revenue Requirements.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
LEASE EXPENSE

Data: Base Period Forecasted Period FR 16(8)(f)
 Type of Filing: Original Updated Revised Schedule F-9
 Workpaper Reference No(s). _____ Witness: Waller

Line No.	Description	Monthly	Period affected	months	O&M factor	Total Amount
Division 009 - Direct Kentucky						
1	Hopkinsville Office					\$ 19,375
2						
3	Total lease expense to be avoided					\$ 19,375
4						
5	Adjustment to O & M					\$ (19,375)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
INCENTIVE COMPENSATION EXPENSE

Data: Base Period Forecasted Period FR 16(8)(f)
Type of Filing: Original Updated Revised Schedule F-10
Workpaper Reference No(s): _____ Witness: Waller

Line No.	Div	Category	Total	Allocation Factor	Allocated Totals
<u>Variable Pay & Management Incentive Plans</u>					
1	2	VPP & MIP	4,619,227	5.18%	239,143
2	12	VPP & MIP	0	5.64%	0
3	91	VPP & MIP	846,073	49.78%	421,175
4	9	VPP & MIP	0	100.00%	0
5		Total Allocated VPP & MIP Plans			660,318
<u>Restricted Stock Plans</u>					
6	2	RSU-LTIP - Time Lapse	1,992,899	5.18%	103,175
7		RSU-LTIP - Performance Based	2,176,608	5.18%	112,686
8	12	RSU-LTIP - Time Lapse	51,607	5.64%	2,911
9		RSU-LTIP - Performance Based	58,921	5.64%	3,324
10	91	RSU-LTIP - Time Lapse/Performance I	161,851	49.78%	80,569
11					
12	9	RSU-LTIP - Time Lapse	0	100.00%	0
13		RSU-LTIP - Performance Based	0	100.00%	0
14		Total Allocated Restricted Stock Plans			302,665
15		Grand Total Allocated Expense			962,983
		Payroll Tax Expense Adjustment			\$ 62,594

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
2017-00349 O&M Adjustments

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(f)
 Schedule F-10
 Witness: Waller

Line No.	Division	Budget Sub Account	Amount	Allocation	Total
1					
2	002	Directors Retirement Expenses - 04113	3,664,608	5.18%	189,721
3	002	Removal of Retirement Benefits	1,161,419	5.18%	60,128
4	012	Removal of Retirement Benefits	664,153	5.64%	37,466
5	009	Removal of Retirement Benefits	339,023	100.00%	339,023
6	091	Removal of Retirement Benefits	164,728	49.78%	82,002
7					
8		Grand Total			708,340

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
PAYROLL Costs

Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
Type of Filing: Original Updated
Workpaper Reference No(s).

FR 16(8)(g)
Schedule G-1
Witness: Waller

Line No.	Description	% of Labor	Total Company Unadjusted	Jurisdictional	Base Period Jurisdictional Unadjusted	Adjustments	Forecasted Period Jurisdictional ADJUSTED
1	<u>Payroll Costs</u>						
2	Labor		\$ 12,385,641	100.00%	\$ 12,385,641	\$ 220,260	\$ 12,605,902
3							
4	<u>Employee Benefits</u>						
5	PENSION & RETIREMENT Income Plan	4.18%	\$ 517,502	100.00%	\$ 517,502	\$ 9,203	\$ 526,705
6	FAS 106	-0.96%	(118,386)	100.00%	(118,386)	(260,729)	(379,115)
7	Employee INSURANCE PLANS	21.51%	2,663,627	100.00%	2,663,627	47,369	2,710,996
8	ESOP PLAN Contributions	5.66%	700,421	100.00%	700,421	12,456	712,877
9				100.00%	0	0	
10	Total Employee BENEFITS		\$ 4,006,507		\$ 4,006,507	\$ 172,762	\$ 4,179,269
11							
12	<u>Payroll Taxes</u>						
15	Payroll Taxes		\$ 837,558	100.00%	837,558	39,300	\$ 876,858
16	Total Payroll Taxes		\$ 837,558		\$ 837,558	\$ 39,300	\$ 876,858
17							
18	Total Payroll Costs		\$ 17,229,707		\$ 17,229,707	\$ 432,322	\$ 17,662,029

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Payroll Analysis by Employee Classifications/Payroll Distribution/Total Company
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference No(s):

FR 16(8)(g)
 Schedule G-2
 Witness: Waller

Most Recent Five Fiscal Years*

Line No.	Description	2013	% Change	2014	% Change	2015	% Change	2016	% Change	2017	% Change	Base Period	% Change	Forecasted Period
1														
2														
3	<u>Man Hours</u>													
4	Straight Time Hours	410,825	-0.16%	410,171	-0.16%	409,514	2.03%	417,832	-6.33%	391,365	7.36%	420,160	0.00%	420,160
5	OverTime Hours	18,473	15.01%	21,246	6.62%	22,553	6.69%	24,169	0.97%	24,403	3.35%	25,220	0.00%	25,220
6	Total Manhours	<u>429,298</u>	0.49%	<u>431,417</u>	0.17%	<u>432,167</u>	3.06%	<u>442,001</u>	0.76%	<u>415,768</u>	7.12%	<u>445,380</u>	0.00%	<u>445,380</u>
7	Ratio of OverTime Hours													
8	to Straight-Time Hours	<u>4.497%</u>		<u>5.180%</u>		<u>5.532%</u>		<u>5.784%</u>		<u>6.235%</u>		<u>6.002%</u>		<u>6.002%</u>
9														
10	<u>Labor Dollars</u>													
11	Straight-Time Dollars	10,464,861	1.29%	10,589,619	3.54%	10,974,506	7.17%	11,761,379	-3.29%	11,374,568	-0.15%	11,357,943	1.16%	11,489,523
12	OverTime Dollars	657,642	15.99%	762,824	9.91%	838,415	11.26%	932,823	5.65%	985,485	4.28%	1,027,899	8.63%	1,116,379
13	Total Labor Dollars	<u>11,122,503</u>	2.16%	<u>11,362,443</u>	3.96%	<u>11,812,921</u>	7.46%	<u>12,694,202</u>	-2.63%	<u>12,360,053</u>	0.21%	12,385,641	1.78%	12,605,902
14	Ratio of OverTime Dollars													
15	to Straight-Time Dollars	<u>6.284%</u>		<u>7.197%</u>		<u>7.640%</u>		<u>7.931%</u>		<u>8.664%</u>		<u>9.048%</u>		<u>9.716%</u>
16														
17	O&M Labor Dollars	5,094,063	-1.84%	5,000,231	1.61%	5,080,812	4.26%	5,185,743	-1.32%	5,163,405	2.59%	5,297,266	-3.40%	5,117,357
18	Ratio of O&M of Labor Dollars													
19	to Total Labor Dollars	<u>45.800%</u>		<u>44.007%</u>		<u>43.011%</u>		<u>40.851%</u>		<u>41.775%</u>		<u>42.769%</u>		<u>40.595%</u>
20														
21	<u>Employee Benefits</u>													
22	Total Employee Benefits	6,062,525	1.42%	6,148,916	-14.27%	5,271,508	-13.75%	4,546,845	-1.38%	4,483,971	-10.65%	4,006,507	4.31%	4,179,269
23	Employee Benefits Expensed	2,972,341	-5.54%	2,807,746	-18.40%	2,291,156	-15.77%	1,929,818	0.48%	1,939,113	-11.63%	1,713,543	-0.99%	1,696,574
24	Ratio of Employee Benefits													
25	Expensed to Total Employee													
26	Benefits	<u>49.028%</u>		<u>45.662%</u>		<u>43.463%</u>		<u>42.443%</u>		<u>43.245%</u>		<u>42.769%</u>		<u>40.595%</u>
27														
28	<u>Payroll Taxes</u>													
29	Total Payroll Taxes	842,968	32.66%	1,118,268	-19.88%	895,950	10.61%	991,045	6.66%	1,057,091	-20.77%	837,558	4.69%	876,858
30	Payroll Taxes Expensed	335,033	0.08%	335,294	4.12%	349,097	8.03%	377,118	-11.10%	335,253	6.85%	358,215	-0.63%	355,960
31	Ratio of Payroll Taxes													
32	Expensed to Total Payroll													
33	Taxes	<u>39.744%</u>		<u>29.983%</u>		<u>38.964%</u>		<u>38.053%</u>		<u>31.715%</u>		<u>42.769%</u>		<u>40.595%</u>
34														
35	<u>Employee Levels</u>													
36	Average Employee Levels	211	1.90%	215	-1.86%	211	1.90%	215	-4.19%	206	-1.94%	202	0.00%	202
37	Year end Employee Levels	<u>213</u>	2.35%	<u>218</u>	-2.29%	<u>213</u>	2.35%	<u>218</u>	-7.34%	<u>202</u>	0.00%	202	0.00%	202

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Executive Compensation
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
Type of Filing: Original Updated
Workpaper Reference No(s).

FR 16(8)(g)
Schedule G-3
Witness: Waller

Line No.	Description	% of Labor			Base Period Company Unallocated	Adjustments	Forecasted Period Company Unallocated
1	<u>Includes 7 Officers</u>						
2							
3	<u>Gross Payroll</u>						
4	Salary				\$ 3,378,041	\$ 135,122	\$ 3,513,163
5	Other Allowances and Compensation				9,311,146	372,446	9,683,592
6	Total Salary and Compensation				<u>\$ 12,689,188</u>	<u>\$ 507,568</u>	<u>\$ 13,196,755</u>
7							
8	<u>Employee Benefits</u>						
		FY17	FY18	Wtd Avg			
9	Pensions	6.00%	4.40%	4.80%	\$ 162,146	\$ 6,486	\$ 168,632
10	SERP				\$ 2,758,681	110,347	\$ 2,869,029
11	Other Benefits	28.00%	28.70%	28.53%	963,586	38,543	1,002,130
12	Total Employee Benefits				<u>\$ 3,884,414</u>	<u>\$ 155,377</u>	<u>\$ 4,039,790</u>
13							
14	<u>Payroll Taxes</u>						
15	FICA/FUTA/SUTA				\$ 247,462	\$ 9,898	\$ 257,361
16	Total Payroll Taxes				<u>\$ 247,462</u>	<u>\$ 9,898</u>	<u>\$ 257,361</u>
17							
18	Total Compensation				<u>\$ 16,821,063</u>	<u>\$ 672,843</u>	<u>\$ 17,493,906</u>

NOTE: This schedule contains confidential information, detail of these numbers are available upon request.

Positions included on this schedule are:

- CEO
- SVP, Utility Operations (created in January 2017)
- SVP, General Counsel (vacant from Mar17-Jul17, filled in Aug-17)
- President and COO
- SVP, CFO
- SVP, Safety and Enterprise
- SVP, Human Resources

These costs are total costs for Atmos Energy Corporation, a portion of which are allocated to Kentucky.

*Wtd Avg is 9 mos of FY18 and 3 months of FY17

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Computation of Gross Revenue Conversion Factor
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(h)
 Schedule H-1
 Witness: Waller

Line No.	Description	Base Year Percentage of Incremental Gross Revenue	Test Year Percentage of Incremental Gross Revenue
1	Operating Revenue	100.000000%	100.000000%
2	Less: Uncollectible Accounts Expense	0.500000%	0.500000%
3	Less: PSC Fees	0.200000%	0.200000%
4	Net Revenues	99.300000%	99.300000%
5	SIT Rate	5.00% <u>4.965000%</u>	<u>4.965000%</u>
6	Income before Federal Income Tax	94.335000%	94.335000%
7	Federal Income Tax @	21% <u>19.810400%</u>	<u>19.810400%</u>
8	Operating Income Percentage	74.524600%	74.524600%
9	Gross Revenue Conversion Factor		
10	(100 % divided by Income after Income Tax)	1.341839	1.341839

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Comparative Income Statement
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s).

FR 16(8)(i)1
 Schedule I

Witness: Gillham, Waller, Densman

	Most Recent Five Calendar Years					Base Year	Test Year			
	2013	2014	2015	2016	2017	12/31/2018	3/31/2020	2020	2021	2022
	\$	\$	\$	\$		\$	\$	\$	\$	\$
INCOME STATEMENT										
Operating Revenues										
Gas service revenue	148,865	180,147	153,228	129,827	144,870	154,820	150,248	149,814	148,321	147,963
Transportation	12,587	14,311	15,087	15,748	17,215	17,013	14,881	14,881	14,881	14,881
Other revenue	1,517	2,424	2,153	1,857	2,017	3,329	4,589	4,584	4,571	4,568
Total Operating Revenues	162,968	196,882	170,468	147,431	164,102	175,163	169,718	169,279	167,773	167,412
Purchase gas	94,657	118,107	87,746	61,180	70,880	83,882	78,382	77,907	76,310	75,848
Gross Profit	68,311	78,774	82,721	86,251	93,222	91,280	91,336	91,372	91,463	91,564
Operating Expenses										
Direct O&M	14,377	14,815	14,927	14,518	16,031	15,500	12,723	18,914	19,149	19,392
Allocated O&M	11,534	12,036	12,874	12,708	11,829	13,031	14,499	11,053	11,362	11,757
Depreciation & amortization	14,919	16,846	18,636	19,121	19,379	20,643	23,102	25,167	28,556	32,382
Taxes - other than income	3,871	4,648	7,343	5,919	6,336	6,492	7,512	9,637	10,834	12,165
Total Operating Expenses	44,701	48,344	53,779	52,266	53,575	55,666	57,835	64,771	69,901	75,696
Operating income(loss)	23,610	30,430	28,942	33,985	39,647	35,614	33,500	26,601	21,562	15,868
Other income										
Interest Income	83	69	40	42	32	32	32	32	32	32
Performance based rates	2,659	2,705	2,795	2,792	3,246	3,246	3,246	3,000	3,000	3,000
Donations	(194)	(299)	(427)	(355)	(361)	(361)	(361)	(361)	(361)	(361)
Other Income	(514)	(456)	(344)	(391)	(403)	(403)	(403)	(403)	(403)	(403)
Total other income	2,033	2,019	2,063	2,087	2,514	2,514	2,514	2,268	2,268	2,268
Interest Charges										
Total interest charges	6,436	6,419	6,744	7,377	8,009	8,488	9,365	7,485	9,101	11,203
Income Before Taxes	19,208	26,030	24,261	28,695	34,152	29,640	26,649	21,384	14,729	6,933
Provision for income taxes	7,420	9,672	9,884	9,516	9,697	7,395	6,649	4,040	2,327	321
Net Income	11,788	16,358	14,377	19,178	24,455	22,245	20,000	17,343	12,402	6,612

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Revenue Statistics
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference No(s).

FR 16(8)(i)2
 Schedule I
 Witness: Gillham, Densman

Line No.	Description	Most Recent Five Calendar Years					Base Period	Forecasted Period	2020	2021	2022
		2013	2014	2015	2016	2017	12/31/2018	3/31/2020			
1	Revenue by Customer Class:										
2	Residential	\$ 96,055,210	\$115,327,134	\$ 97,211,019	\$ 85,596,832	\$ 94,138,422	\$ 99,146,045	\$ 96,519,490	\$ 96,326,563	\$ 95,527,942	\$ 95,391,680
3	Commercial	39,938,784	49,294,804	42,476,905	34,032,004	38,222,731	42,884,783	41,608,020	\$ 41,428,893	\$ 40,924,733	\$ 40,763,656
4	Industrial	4,796,885	5,845,776	5,705,427	4,441,439	6,400,150	5,847,533	5,370,385	\$ 5,338,211	\$ 5,242,091	\$ 5,211,956
5	Public Authority & Other	8,073,794	9,679,607	7,834,566	5,756,388	6,108,524	6,942,114	6,749,807	\$ 6,720,022	\$ 6,626,214	\$ 6,595,813
6	Unbilled										
7	Total	\$ 148,864,873	\$180,147,322	\$ 153,227,918	\$ 129,826,663	\$ 144,869,827	\$ 154,820,476	\$ 150,247,702	\$ 149,813,689	\$ 148,320,980	\$ 147,963,105
8	Number of Customer by Class:										
9	Residential	153,904	155,702	155,281	155,597	156,174	157,307	157,713	157,875	158,200	158,525
10	Commercial	17,318	17,435	17,333	17,339	17,354	17,446	17,446	17,446	17,446	17,446
11	Industrial	207	204	201	205	206	215	215	215	215	215
12	Public Authority & Other	1,575	1,576	1,561	1,550	1,549	1,535	1,535	1,535	1,535	1,535
13	Total	173,004	174,917	174,376	174,692	175,282	176,502	176,909	177,071	177,396	177,721
14	Average Revenue per Class:										
15	Residential	\$ 624	\$ 741	\$ 626	\$ 550	\$ 603	\$ 630	\$ 612	\$ 610	\$ 604	\$ 602
16	Commercial	2,306	2,827	2,451	1,963	2,203	2,458	2,385	2,375	2,346	2,337
17	Industrial	23,183	28,703	28,362	21,630	31,094	27,138	24,924	24,774	24,328	24,188
18	Public Authority & Other	5,125	6,141	5,019	3,714	3,945	4,524	4,399	4,379	4,318	4,298

(1) Unbilled Revenue is not included in the appropriate customer class.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 SALES STATISTICS
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated
 Workpaper Reference NO(S):

FR 16(8)(i)3
 Schedule I
 Witness: Gillham, Densman

Line No.	Description	Most Recent Five Calendar Years					Base Period	Forecasted Period	2020	2021	2022
		2013	2014	2015	2016	2017	12/31/2018	3/31/2020			
		Mcf	Mcf	Mcf	Mcf	Mcf	Mcf	Mcf	Mcf		
1	Sales by Customer Class:										
2	Residential	10,662,876	11,757,007	10,133,138	8,859,272	8,360,876	10,051,263	10,083,093	10,087,189	10,107,961	10,128,734
3	Commercial	5,112,548	5,657,641	4,981,322	4,436,288	4,415,168	5,216,701	5,216,701	5,216,701	5,216,701	5,216,701
4	Industrial	807,006	780,039	706,192	1,021,718	1,517,001	991,585	991,585	991,585	991,585	991,585
5	Public Authority & Other	1,185,264	1,241,310	1,055,743	896,168	824,971	962,459	962,459	962,459	962,459	962,459
6	Unbilled										
7											
8	Total	17,767,695	19,435,997	16,876,396	15,213,446	15,118,017	17,222,008	17,253,838	17,257,933	17,278,706	17,299,479
9											
10	Number of Customer by Class:										
11	Residential	153,904	155,702	155,281	155,597	156,174	157,307	157,713	157,875	158,200	158,525
12	Commercial	17,318	17,435	17,333	17,339	17,354	17,446	17,446	17,446	17,446	17,446
13	Industrial	207	204	201	205	206	215	215	215	215	215
14	Public Authority & Other	1,575	1,576	1,561	1,550	1,549	1,535	1,535	1,535	1,535	1,535
15											
16	Total	173,004	174,917	174,376	174,692	175,282	176,502	176,909	177,071	177,396	177,721
17											
18	Average Volume per Class:										
19	Residential	69	76	65	57	54	64	64	64	64	64
20	Commercial	295	324	287	256	254	299	299	299	299	299
21	Industrial	3,900	3,830	3,510	4,976	7,370	4,602	4,602	4,602	4,602	4,602
22	Public Authority & Other	752	788	676	578	533	627	627	627	627	627

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Cost of Capital Summary
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(j)
 Schedule J-1
 Sheet 1 of 1
 Witness: Christian

Line No.	Class of Capital	Workpaper Reference (A)	Amount (B) \$000	Percent of Total (C) %	Cost Rate (D) %	Weighted Cost (E) %
<u>Capital Structure</u>						
6	SHORT-TERM DEBT	J-3	\$ 281,542	3.47%	2.40%	0.08%
7	LONG-TERM DEBT	J-3	3,068,315	37.83%	5.22%	1.97%
8	PREFERRED STOCK	J-4	0	0.00%	0.00%	0.00%
9	COMMON EQUITY		<u>\$ 4,760,181</u>	<u>58.69%</u>	10.40%	<u>6.10%</u>
10	Total Capital		<u><u>\$ 8,110,038</u></u>	<u><u>100.00%</u></u>		<u><u>8.15%</u></u>

Atrnos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 13 Month Average Capital Structure
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(j)
 Schedule J-1
 Witness: Christian

PROPOSED RATES

Line No.	Class of Capital	Workpaper Reference (A)	Base Period			Forecasted Period				
			Amount (B) \$000	Percent of Total (C) %	Cost Rate (D) %	Weighted Cost (E) %	Amount (F) \$000	Percent of Total (G) %	Cost Rate (H) %	Weighted Cost (I) %
1	SHORT-TERM DEBT		281,542	3.47%	2.40%	0.08%	281,542	3.44%	2.40%	0.08%
2	LONG-TERM DEBT		3,068,315	37.83%	5.22%	1.97%	3,131,315	38.31%	4.72%	1.81%
3	Total DEBT		3,349,857	41.30%		2.05%	3,412,857	41.75%		1.89%
4	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
5	COMMON EQUITY		4,760,181	58.70%	10.40%	6.10%	4,760,181	58.24%	10.40%	6.06%
6	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
7	Total Capital		<u>8,110,038</u>	<u>100.0%</u>		<u>8.15%</u>	<u>8,173,038</u>	<u>100.0%</u>		<u>7.95%</u>

CURRENT RATES

Line No.	Class of Capital	Workpaper Reference (A)	Base Period			Forecasted Period				
			Amount (B) \$000	Percent of Total (C) %	Cost Rate (D) %	Weighted Cost (E) %	Amount (F) \$000	Percent of Total (G) %	Cost Rate (H) %	Weighted Cost (I) %
8	SHORT-TERM DEBT		281,542	3.47%	2.40%	0.08%	281,542	3.44%	2.40%	0.08%
9	LONG-TERM DEBT		3,068,315	37.83%	5.22%	1.97%	3,131,315	38.31%	4.72%	1.81%
10	Total DEBT		3,349,857	41.30%		2.06%	3,412,857	41.75%		1.89%
11	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
12	COMMON EQUITY		4,760,181	58.70%	7.81%	4.58%	4,760,181	58.24%	6.28%	3.66%
13	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
14	Total Capital		<u>8,110,038</u>	<u>100.0%</u>		<u>6.64%</u>	<u>8,173,038</u>	<u>100.0%</u>		<u>5.55%</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 ANNUALIZED SHORT-TERM DEBT
 as of December 31, 2017

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(j)
 Schedule J-2
 Sheet 1 of 1
 Witness: Christian

Line No.	Issue (A)	Amount Outstanding (B) \$000	(1) Interest Rate (C)	Effective Annual Cost (D) \$000	Composite Interest Rate (E=D/B)
1	AVERAGE SHORT-TERM DEBT	\$ 281,542	1.414%	\$ 3,982	
2	COMMITMENT FEE & BANK ADMIN	_____		\$ 2,778	
3	TOTAL SHORT-TERM DEBT	\$ 281,542		\$ 6,760	2.40%

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended June 30, 2018

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
AVERAGE ANNUALIZED LONG-TERM DEBT
 Base Period: Twelve Months Ended December 31, 2018

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(j)
 Schedule J-3
 Witness: Christian

Line No.	Issue (A)	13 Mth Avg. Amount Outstanding (B)	Interest Rate (C)	Effective Annual Cost (D)	Composite Interest Rate (E=D/B)
1	6.75% Debentures Unsecured due July 2028	\$ 150,000,000	6.75%	\$10,125,000	
2	6.67% MTN A1 due Dec 2025	10,000,000	6.67%	667,000	
3	5.95% Sr Note due 10/15/2034	200,000,000	5.95%	11,900,000	
4	Sr Note 5.50% Due 06/15/2041	400,000,000	5.50%	22,000,000	
5	8.50% Sr Note due 3/15/2019	450,000,000	8.50%	38,250,000	
6	4.15% Sr Note due 1/15/2043	500,000,000	4.15%	20,750,000	
7	4.125% Sr Note due 10/15/2044	750,000,000	4.13%	30,937,500	
8	3% Sr Note dues 6/15/2027	500,000,000	3.00%	15,000,000	
9	\$200MM 3YR Sr Credit Facility (Est. 9/22/16)	125,000,000	3.06%	3,825,000	
10	Total	<u>\$ 3,085,000,000</u>		<u>\$153,454,500</u>	
11					
12	Annualized Amortization of Debt Exp. & Debt Dsct.			\$6,580,966	
13	Less Unamortized Debt Discount	\$4,425,158			
14	Less Unamortized Debt Expenses	(\$21,110,455)			
15					
16					
17					
18	Total LONG-TERM DEBT	<u><u>\$3,068,314,702.82</u></u>		<u><u>160,035,466</u></u>	<u><u>5.22%</u></u>

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
EMBEDDED Cost of PREFERRED STOCK

Data: Base Period Forecasted Period
Type of Filing: Original Updated
Workpaper Reference No(s):

FR 16(8)(j)
Schedule J-4
Sheet 1 of 1
Witness: Christian

Line No.	Dividend Rate, TYPE, PAR Amount	Date Issued (A)	Amount Outstanding (B)	Premium or Discount (C)	Issue Expense (D)	Gain or Loss on Reacquired Stock (E)	Net Proceeds (F=B+C-D+E)	Cost Rate At Issue (G)	Annualized Dividends (H=GXB)
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Atmos Energy Corporation has no PREFERRED STOCK OUTSTANDING at this time.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Cost of Capital Summary
 Thirteen Month Average as of March 31, 2019

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(j)
 Schedule J-1
 Witness: Christian

Line No.	Class of Capital	Workpaper Reference (A)	Amount (B) \$000	Percent of Total (C)	Cost Rate (D) %	Weighted Cost (E) %
<u>Capital Structure</u>						
6	SHORT-TERM DEBT		\$ 281,542	3.4%	2.40%	0.08%
7	LONG-TERM DEBT	J-3	3,131,315	38.3%	4.72%	1.81%
8	PREFERRED STOCK	J-4	0	0.0%	0.00%	0.00%
9	COMMON EQUITY		<u>\$ 4,760,181</u>	<u>58.2%</u>	10.40%	<u>6.06%</u>
10	Total Capital		<u>\$ 8,173,038</u>	<u>100.0%</u>		<u>7.95%</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 AVERAGE ANNUALIZED SHORT-TERM DEBT
 as of March 31, 2019

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

FR 16(8)(j)
 Schedule J-2
 Witness: Christian

Issue (A)	Amount Outstanding (B) \$000	Interest Rate (C)	Effective Annual Cost (D) \$000	Composite Interest Rate (E=D/B)
1 AVERAGE SHORT-TERM DEBT (1)	281,542	1.4143%	3,982	
2 COMMITMENT FEE			2,778	
3 TOTAL SHORT-TERM DEBT	<u>281,542</u>		<u>6,760</u>	<u>2.40%</u>

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended June 30, 2018.

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 AVERAGE ANNUALIZED LONG-TERM DEBT
 Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(j)
 Schedule J-3
 Sheet 1 of 1

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s): _____

Witness: Christian

Line No.	Issue (A)	13 Mth Average Amount Outstanding (B)	Interest Rate (C)	Effective Annual Cost (D)	Composite Interest Rate (E=D/B)
1	6.75% Debentures Unsecured due July 2028	\$ 150,000,000	6.75%	\$ 10,125,000	
2	6.67% MTN A1 due Dec 2025	10,000,000	6.67%	667,000	
3	5.95% Sr Note due 10/15/2034	200,000,000	5.95%	11,900,000	
4	Sr Note 5.50% Due 06/15/2041	400,000,000	5.50%	22,000,000	
5	8.50% Sr Note due 3/15/2019	513,000,000	5.07%	26,031,660	
6	4.15% Sr Note due 1/15/2043	500,000,000	4.15%	20,750,000	
7	4.125% Sr Note due 10/15/2044	750,000,000	4.13%	30,937,500	
8	3% Sr Note due 6/15/2027	500,000,000	3.00%	15,000,000	
9	\$200MM 3YR Sr Credit Facility (Est. 9/22/16)	125,000,000	3.06%	3,825,000	
10	Total	<u>\$ 3,148,000,000</u>		<u>\$ 141,236,160</u>	
11					
12	Annualized Amortization of Debt Exp. & Debt Dsct.			6,580,966	
13	Less Unamortized Debt Discount	\$4,425,158			
14	Less Unamortized Debt Expenses	(\$21,110,455)			
15					
16					
17					
18	Total LONG-TERM DEBT	<u>\$ 3,131,314,703</u>		<u>\$ 147,817,126</u>	<u>4.72%</u>

Atmos Energy Corporation, Kentucky/Mid-States Division
 Kentucky Jurisdiction Case No. 2018-00281
 Comparative Financial Data
 Base Period: Twelve Months Ended December 31, 2018
 Forecasted Test Period: Twelve Months Ended March 31, 2020
 and 10 Most Recent Calendar Years

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

FR 16(8)(k)
 Schedule K
 Witness: Gillham, Martin, and Waller

Line No.	Description	Forecasted Period	Base Period	Most Recent Ten Calendar Years - as Reported										
				2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	
1	<u>Plant Data: (\$000)</u>													
2	Plant in Service by functional class:													
3	Intangible Plant	773	773	128	128	128	128	128	128	128	128	128	128	128
4	Production & Gathering Plant	0	0	0	0	0	636	901	901	901	901	901	901	901
5	Underground Storage	15,018	15,021	13,329	12,454	11,560	10,792	9,630	10,104	9,388	7,731	7,540	6,950	
6	Transmission Plant	31,004	31,455	31,784	31,814	31,808	31,877	32,962	32,836	33,144	31,189	31,202	28,807	
7	Distribution Plant	673,469	583,188	517,179	472,849	413,302	381,823	340,200	323,036	296,493	283,474	271,463	260,621	
8	General Plant	42,857	40,871	21,675	21,271	18,126	16,683	15,589	15,238	16,000	15,103	14,696	15,422	
9	Acquisition Adjustments			3,279	3,279	3,279	3,279	3,279	3,279	3,279	3,337	3,337	3,337	
10														
11	Gross Plant	763,121	671,308	587,374	541,795	478,203	445,018	402,689	385,522	359,333	341,863	329,267	316,166	
12	Less: Accumulated depreciation	199,413	197,392	175,150	167,228	165,298	160,839	158,300	151,849	150,795	147,462	144,016	139,212	
13	Net plant in Service	563,709	473,916	412,224	374,567	312,905	284,179	244,389	233,673	208,538	194,401	185,251	176,954	
14														
15	Construction Work in Progress	39,130	39,130	32,838	10,146	26,310	12,708	16,578	6,006	3,306	7,197	4,851	5,215	
16														
17	Total CWIP	39,130	39,130	32,838	10,146	26,310	12,708	16,578	6,006	3,306	7,197	4,851	5,215	
18														
19	Total	<u>602,839</u>	<u>513,046</u>	<u>445,062</u>	<u>384,713</u>	<u>339,215</u>	<u>296,887</u>	<u>260,967</u>	<u>239,679</u>	<u>211,844</u>	<u>201,598</u>	<u>190,102</u>	<u>182,169</u>	
20														
21	% of Construction financed internally	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
22														
23														
24	<u>Capital structure: (Total Company)</u>													
25	<u>(based on year-end accounts)</u>													
26	Short-term debt (\$000)	281,542	281,542	447,745	829,811	457,927	196,695	367,984	570,929	206,396	126,100	72,550	350,542	
27	Long-term debt (\$000)	3,131,315	3,068,315	3,067,045	2,438,779	2,437,515	2,455,986	2,455,671	1,956,305	2,206,117	1,809,551	2,169,400	2,119,792	
28	Preferred stock (\$000)			0	0	0	0	0	0	0	0	0	0	
29	Common equity (\$000)	4,760,181	4,760,181	3,898,666	3,463,059	3,194,797	3,086,232	2,580,409	2,359,243	2,255,421	2,178,348	2,176,761	2,052,492	
30														
31	Total	<u>8,173,038</u>	<u>8,110,038</u>	<u>7,413,456</u>	<u>6,731,649</u>	<u>6,090,239</u>	<u>5,738,913</u>	<u>5,404,064</u>	<u>4,886,477</u>	<u>4,667,934</u>	<u>4,113,999</u>	<u>4,418,711</u>	<u>4,522,826</u>	
32														
33	<u>Condensed Income Statement data: (\$000)</u>													
34	Operating Revenues	169,718	175,163	164,102	147,431	170,468	196,882	162,968	134,778	149,662	156,816	190,356	244,308	
35	Operating Expenses (excludes Federal and State Taxes, includes gas cost)	136,218	139,548	124,455	113,447	141,526	166,452	139,358	112,027	126,219	136,649	176,587	224,348	
36	State Income Tax (current)			0	0	0	0	0	0	0	0	0	0	
37	Federal Income Tax (current)			0	0	0	0	0	0	0	0	0	0	
38	Federal and State Income Tax - net	6,649	7,395	9,697	9,516	9,884	9,671	7,060	8,157	8,094	5,654	2,889	6,985	
39	Investment tax credits	0	0	0	0	0	0	0	0	0	0	0	0	
40	Operating Income	26,851	28,219	29,950	24,468	19,058	20,759	16,550	14,594	15,349	14,513	10,880	12,976	
41	AFUDC	0	0	379	179	182	139	88	101	22	286	199	160	

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Forecasted Test Period: Twelve Months Ended March 31, 2020
and 10 Most Recent Calendar Years

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s):

FR 16(8)(k)
Schedule K
Witness: Gillham, Martin, and Waller

Line No.	Description	Forecasted Period	Base Period	Most Recent Ten Calendar Years - as Reported									
				2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
43	Other Income net	2,514	2,514	2,514	2,087	2,063	2,019	2,033	2,046	2,657	1,748	2,278	2,529
44	Income available for fixed charges	29,365	30,733	32,843	26,734	21,303	22,917	18,671	16,741	18,028	16,547	13,357	15,665
45	Interest charges	9,365	8,488	8,388	7,566	6,926	6,559	6,524	5,612	5,792	6,270	6,633	6,138
46	Net Income	20,000	22,245	24,455	19,178	14,377	16,358	12,147	11,129	12,236	10,277	6,724	9,527
47	Preferred dividends accrual	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
48	Earnings available for common equity	20,000	22,245	24,455	19,178	14,377	16,358	12,147	11,129	12,236	10,277	6,724	9,527
49													
50	AFUDC - % of Net Income	0.00%	0.00%	1.55%	0.93%	1.27%	0.85%	0.72%	0.91%	0.18%	2.78%	2.96%	1.68%
51	AFUDC - % of earnings available for common equity	0.00%	0.00%	1.55%	0.93%	1.27%	0.85%	0.72%	0.91%	0.18%	2.78%	2.96%	1.68%
52													
53													
54													
55													
56	<u>Costs of Capital (1)</u>												
57	Embedded cost of short-term debt (%)	2.40%	2.40%	1.68%	1.12%	1.09%	1.49%	1.17%	1.22%	1.03%	3.23%	6.80%	4.40%
58	Embedded cost of long-term debt (%)	4.72%	5.22%	5.45%	5.89%	5.90%	6.03%	6.26%	6.51%	6.75%	6.88%	6.90%	6.10%
59	Embedded cost of preferred stock (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
60													
61	<u>Fixed Charge Coverage: (1)</u>												
62	Pre-Tax Interest Coverage	3.85	4.49	6.03	5.72	5.26	4.69	3.91	3.06	2.97	3.00	2.84	3.06
63	Pre-Tax Interest Coverage (Excluding AFUDC)	3.85	4.49	6.06	5.74	5.28	4.70	3.92	3.04	2.95	2.99	2.80	3.12
64	After Tax Interest Coverage	3.14	3.62	4.18	4.01	3.63	3.24	2.89	2.36	2.26	2.23	2.20	2.26
65	SEC Coverage	3.81	4.43	5.45	5.16	4.77	4.11	3.63	2.84	2.78	2.78	2.55	2.76
66	After Tax Interest Coverage (Excluding AFUDC)	3.14	3.62	4.21	4.03	3.65	3.25	2.91	2.35	2.24	2.21	2.16	2.31
67	Indenture Provision Coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
68	After Tax Fixed Charge Coverage	4.87	6.91	3.81	3.64	3.32	3.02	2.70	2.21	2.13	2.08	2.18	2.15
69													
70	<u>Stock and Bond Ratings: (1)</u>												
71	Moody's Bond Rating	N/A	A2	A2	A2	A2	A2	Baa1	Baa1	Baa1	Baa2	Baa2	Baa3
72	S&P Bond Rating	N/A	A	A	A	A-	A-	A-	BBB+	BBB+	BBB+	BBB+	BBB
73	Moody's Preferred Stock Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
74	S&P Preferred Stock Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
75													
76	<u>Common Stock Related Data: (1)</u>												
77	Shares Outstanding Year End (000)	N/A	N/A	106,105	103,931	101,479	100,388	90,640	90,240	90,296	90,164	92,552	90,814
78	Shares Outstanding - Weighted Average (Monthly) (000)	N/A	N/A	0	0	0	0	0	0	0	0	0	0
79	Average (Monthly) (000)	N/A	N/A	106,100	103,524	101,892	97,608	91,711	91,172	90,652	92,422	91,620	89,941
80	Earnings Per Share - Weighted Avg. (\$)	N/A	N/A	3.73	3.38	3.09	2.96	2.64	2.37	2.27	2.20	2.07	1.99
81	Dividends Paid Per Share (\$)	N/A	N/A	1.80	1.68	1.56	1.48	1.40	1.38	1.36	1.34	1.32	1.30
82	Dividends Declared Per Share (\$)	N/A	N/A	1.80	1.68	1.56	1.48	1.40	1.38	1.36	1.34	1.32	1.30
83	Dividend Payout Ratio (Declared Basis) (%)	N/A	N/A	48%	50%	50%	50%	53%	58%	60%	61%	64%	65%
84													
85	Market Price - High (Low)	N/A	N/A										

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 and 10 Most Recent Calendar Years

Data: Base Period Forecasted Period
 Type of Filing: Original Updated Revised
 Workpaper Reference No(s):

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 Schedule K
 Witness: Gillham, Martin, and Waller

Line No.	Description	Forecasted Period	Base Period	Most Recent Ten Calendar Years - as Reported									
				2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
86	1st Quarter - High (\$)	N/A	N/A	74.730	64.250	58.080	47.060	36.860	35.400	31.720	30.060	27.880	29.460
87	1st Quarter - Low (\$)	N/A	N/A	68.960	57.820	47.350	41.080	33.200	30.970	29.100	27.390	21.170	26.110
88	2nd Quarter - High (\$)	N/A	N/A	80.400	74.330	58.810	48.010	42.690	33.150	34.980	29.520	25.950	28.960
89	2nd Quarter - Low (\$)	N/A	N/A	73.210	61.740	52.020	44.190	35.110	30.600	31.510	26.520	20.200	25.090
90	3rd Quarter - High (\$)	N/A	N/A	85.540	81.320	56.410	53.400	44.870	35.070	34.940	29.980	26.370	28.540
91	3rd Quarter - Low (\$)	N/A	N/A	78.900	70.600	51.280	46.940	38.590	30.910	31.340	26.410	22.810	25.810
92	4th Quarter - High (\$)	N/A	N/A	88.690	81.160	58.180	52.680	45.190	36.940	34.320	29.810	28.800	28.250
93	4th Quarter - Low (\$)	N/A	N/A	82.420	71.880	51.480	47.010	39.400	34.940	28.870	26.820	24.650	25.490
94	Book Amount Per Share (Year-end) (\$)	N/A	N/A	36.745	33.450	31.350	31.620	28.140	25.877	24.880	23.570	23.759	22.820
95													
96	(1) Based on fiscal year-end of parent company												
97													
98	<u>Rate of Return Measures (1)</u>												
99	Return On Common Equity (Average)	7.1%	8.0%	10.8%	10.5%	10.0%	10.2%	9.8%	8.3%	8.6%	8.7%	8.7%	8.8%
100	Return On Total Capital (Average)	6.3%	6.7%	5.6%	5.5%	5.2%	5.2%	4.8%	4.0%	4.3%	4.4%	4.3%	4.3%
101	Return On Net Plant in Service (Average)	4.8%	6.0%	4.5%	4.5%	4.5%	4.5%	4.3%	3.6%	3.8%	4.1%	4.3%	4.5%
102													
103	<u>Other Financial and Operating Data:</u>												
104	Mix of Sales: (MMcf)												
105	Residential	10,083	10,051	8,724	9,094	9,826	11,729	10,695	8,433	10,187	10,735	10,261	10,855
106	Commercial	5,217	5,217	4,575	4,538	4,845	5,650	5,143	3,972	4,642	5,049	4,659	5,017
107	Industrial	992	992	1,517	1,048	693	810	811	995	821	724	960	1,715
108	Public authority & Other Sales	962	962	859	916	1,025	1,234	1,179	980	1,111	1,192	1,176	1,253
109	Unbilled	0	0										
110	Total Mix of Sales	17,254	17,222	15,675	15,596	16,389	19,423	17,828	14,380	16,761	17,700	17,056	18,839
111													
112	Mix of Fuel: (MMcf)												
113		0	0	0	0	0	0	0	0	0	0	0	0
114	Other	17,582	17,549	16,060	15,417	18,606	21,324	18,367	17,441	16,748	17,596	17,034	18,790
115													
116	Total MIX of Fuel (2)	17,582	17,549	16,060	15,417	18,606	21,324	18,367	17,441	16,748	17,596	17,034	18,790
117													
118	Composite Depreciation Rate	2.96%	2.79%	3.12%	3.33%	3.66%	3.50%	3.31%	3.49%	3.58%	3.40%	3.43%	3.17%

(1) Based on fiscal year-end of parent company, except for Base Period & Test Period which are based on Atmos Energy Corporation, Kentucky. Return calculations cannot be used for revenue requirement purposes
 (2) Kentucky gas purchases by accounting month.

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 45. Explain if the variability of the purchased gas costs is lowered by calculating the gas cost adjustment based on the expected or forward-looking gas costs.

RESPONSE:

No. The variability of purchased gas costs depends on the interaction of the changing forces of supply and demand for natural gas in the marketplace, not on whether purchased gas costs are calculated based on the expected or forward-looking gas costs. The rationale for using expected or forward-looking gas costs rather than historical costs in the gas cost adjustment mechanism is that the use of expected or forward-looking costs may provide a better opportunity for Atmos to recover the purchased gas costs it expects to incur during the period when rates are in effect. Because the fair rate of return standard requires that investors have a reasonable opportunity to earn a fair return on their investment during the period when rates are in effect, it is reasonable to calculate the gas cost adjustment based on expected or forward-looking costs, whether or not purchased gas costs are highly variable.

Respondent: James Vander Weide

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 48.

- a. Provide an explanation of why NiSource, Inc., and Northwest Natural Gas, whose Value Line expected earnings growth in Sep18 of 18.0 and 30.5, are abnormally high.
- b. Explain if these earning projections would typically be used in an analyst's discounted cash flow analysis or if they would be removed.

RESPONSE:

- a. In Staff DR No. 2-48, subpart (b), Staff asked Dr. Vander Weide to "provide the most current Value Line projections of earnings growth for the proxy group." Although Dr. Vander Weide used the I/B/E/S earnings growth forecasts rather than the Value Line earnings growth projections in his DCF analysis, Dr. Vander Weide complied with the Staff request by providing the earnings growth projections published in the two most recent Value Line reports then available (June 30, 2018, available at the time of Dr. Vander Weide's studies, and August 31, 2018, available at the time of the Staff data requests). The specific Value Line growth forecasts for NiSource and Northwest Natural Gas are likely due to Value Line's standard method for estimating growth, which uses historical earnings as the starting point to estimate future earnings growth; and, if a company has abnormally low historical earnings but is expected to have normal earnings in the future, the Value Line method would produce a higher than normal expected growth rate.
- b. The 18.0 percent Value Line growth rate for NiSource and the 30.5 percent Value Line growth rate for Northwest Natural Gas are higher than the I/B/E/S growth rates for natural gas utilities that Dr. Vander Weide used in his DCF analysis. As he explained in the Company's response to Staff DR No. 2-48 subpart (a), Dr. Vander Weide relied on the I/B/E/S earnings growth forecasts rather than the Value Line growth forecasts in his DCF analysis of Atmos Kentucky's cost of equity. Dr. Vander Weide generally prefers to use the I/B/E/S growth estimates because: (1) his studies indicate that the I/B/E/S growth estimates are highly correlated with stock prices and, thus, that the I/B/E/S growth estimates are the growth estimates that investors use in making stock buy and sell decisions; (2) the I/B/E/S growth estimates reflect expected growth beginning from the current period, whereas the Value Line growth estimates reflect a growth estimate based on historical data for the three prior years and forecasted data for three years in the future; and (3) the DCF model requires investors' estimate of growth beginning in the current period.

Respondent: James Vander Weide

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 52. Explain why Dr. Vander Weide believes "the natural gas utilities today face risks that are somewhere in between the average risk of the S&P Utilities and S&P 500 over the years 1937 to 2018."

RESPONSE:

Dr. Vander Weide believes that "the natural gas utilities today face risks that are somewhere in between the average risk of the S&P Utilities and S&P 500 over the years 1937 to 2018" because, in his opinion, for most of the period 1937 - 2018, the utilities in the S&P Utilities index faced less technological change, less competition, and less regulatory risk than they face today.

Respondent: James Vander Weide

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 55.b. The answer provided is nonresponsive. As originally requested, provide the most current awarded return on equity for each gas utility or its subsidiary and the date of the award.

RESPONSE:

<u>Line</u>	<u>Company</u>	<u>Return on Equity</u>	<u>Award Date</u>
1	Atmos Energy (Mississippi)	10.24%	11/01/2018
2	Chesapeake Utilities (Florida)	9.75%	12/20/2016
3	New Jersey Resources	9.75%	09/17/2018
4	NiSource Inc. (Indiana)	9.85%	04/20/2018
5	Northwest Nat. Gas (Oregon)	9.50%	11/01/2012
6	ONE Gas Inc. (Texas)	9.50%	09/01/2016
7	South Jersey Inds.	9.60%	10/01/2017
8	Southwest Gas (Nevada)	9.30%	12/24/2018
9	Spire Inc. (Missouri)	9.80%	03/07/2018
10	UGI Corp (Pennsylvania)	9.15%	07/22/2016

Respondent: Joe Christian

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 66.b. and Schedules WP B-5 Band WP B-5 F. Confirm that total forecasted Accumulated Deferred Income Taxes (ADIT), before allocation, decreases \$1,200,533 from the last month of the base period to the first month of the forecast test period. If confirmed, explain how the change in ADIT is solely based on the change in the 13-month average ADIT.

RESPONSE:

Confirm that total forecasted ADIT, excluding the impact of the forecasted NOLC, decreased \$1,200,533 from December 2018 to March 2019 in the Company's filing. This change does not result solely from the change in the 13-month average ADIT, but results from ADIT related to projected capital expenditures during this three month period, as well as amortization of the deferred tax asset for the gross up of excess deferred income taxes.

The Company has complied with the consistency requirements of the normalization provisions. Tax expense is based on the revenue requirement that will result from the 13 month average of the forecasted test period. The calculation of the Required Change in NOLC is based on the change between the ADIT balance from the base period and the ADIT from the forecasted test period. These ADIT changes must be compared to projected tax expense during the future test period in order to calculate the impact on the NOLC.

Respondent: Jennifer Story

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 67.a. and 67.c. Explain how the ADIT amounts in Schedule WP B-5 B vary monthly if changes in deferred items are not calculated or recorded at non-quarter end months.

RESPONSE:

The Company does not record changes to ADIT to the financial statements in non-quarter-ending months. For purposes of this filing, projected monthly tax additions are calculated based on projected monthly book additions. Monthly changes to tax accumulated depreciation are calculated by taking annual projected tax depreciation and allocating it by month based on the percentage of projected monthly book additions to projected book additions for the fiscal year. This allows the Company to estimate monthly ADIT changes for purposes of this filing.

Respondent: Jennifer Story

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 68.

- a. Provide all bases for Atmos's assumptions that Account 283 for all divisions and Account 190 for divisions 002, 012, and 091 will remain unchanged from June 2018 through March 2019, and explain why Atmos contends those assumptions are reasonable.
- b. Provide all basis for Atmos's assumptions that Account 283 for all divisions and Account 190 for divisions 002, 012, and 091 will remain unchanged from March 2019 through March 2020, and explain why Atmos contends those assumptions are reasonable.

RESPONSE:

- a. Account 283 for all divisions remains unchanged for the projection period of June 2018 - March 2019 because the deferred tax recorded in this account is recorded for items that are unlikely to change significantly from period to period or would be speculative to project. The deferred tax items included in 283 included the following:

Deferred taxes for accruals- The Company does not believe it would be possible or prudent to forecast a change in the balance of deferred tax item related to accruals. Accrued items on the balance sheet should be stable from period to period absent an event that would create a liability. To forecast a change in the deferred taxes associated with accruals, a projection of a future unknown liability would need to be made.

Deferred taxes for inventory- The Company has deferred taxes which account for the difference between the book and tax basis of inventory balances. The Company does not forecast changes in inventory balances but assumes that the relative balances for both book and tax will remain stable.

Deferred taxes for financial instruments marked to market - The Company records deferred taxes for the recording of financial instruments (primarily interest rate hedges) to market. To forecast a change in these deferred tax balances it would be necessary for the Company to make assumptions about the change in the market value of the underlying financial instruments. To perform a forecast such as this would be speculative and unsupported.

Deferred taxes from United Cities Gas - The acquisition of United Cities Gas in 1997 was a merger, therefore deferred taxes associated United Cities Gas IRS audit adjustments were inherited by Atmos Energy. These deferred taxes will not change and will remain on the Company's books indefinitely or until the operations to which they relate are sold.

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Account 190 for divisions 002, 012 and 091 remains unchanged for the projection period of June 2018 - March 2019 because the deferred tax is recorded for items that are unlikely to change significantly from period to period or would be speculative to project. The deferred tax items included in 190 included the following:

Deferred taxes for accruals- The Company does not believe it would be possible or prudent to forecast a change in the balance of deferred tax item related to accruals. Accrued items on the balance sheet should be stable from period to period absent an event that would create a liability. The Company has accrued any liabilities of which it is aware. To forecast a change in the deferred taxes associated with accruals, a projection of a future unknown liability would need to be made.

Deferred taxes for tax attributes - The Company records deferred taxes for tax attributes such as the federal tax net operating loss carryforward ("NOL ADIT"). While the Company does not show changes in the Account 190 monthly balances on WP B.5F or Schedule B.5F, a forecast of the NOL ADIT asset activity has been included in this filing and is calculated and shown on Schedule B.5 F, row 39 of the Company's filing. This activity is included in the Forecasted 13-month Average ADIT in Rate Base on row 41 of Schedule B.5F. The derivation and inclusion of this amount is consistent with the Company's filing in Docket No. 2017-00349.

- b. See the response to subpart (a). The Company's assumptions that Account 283 for all divisions and Account 190 for divisions 002, 012, and 091 will remain unchanged from March 2019 through March 2020 are the same as those provided in response to subpart (a).

Respondent: Jennifer Story

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REQUEST:

Refer to Atmos's response to Staff's Second Request, Item 75 in which Atmos states that if any public utility property were removed from service that it would remove ADIT attributable to the removed property from rate base, but that it does not have any public utility property in Kentucky that was removed from service for ratemaking purposes.

- a. As previously requested in Staff's Second Request, Item 75, state specifically whether Atmos would similarly remove the net operating loss (NOL) carryforward deferred tax assets attributable to the removed property from rate base.
- b. State whether NOL carryforward deferred tax assets, if any, attributable to divisions that were sold or closed since 2007, including Atmos's operations in Missouri, Iowa, Illinois, and Georgia were removed from Account 190 in Division 02 and rate base, and if not, explain why those amounts were not removed from that account.

RESPONSE:

- a. Please see the Company's response to Staff DR No. 2-75. The Company does not have any public utility property in Kentucky that is removed from service for ratemaking purposes. However, if this situation were to occur the Company would remove from rate base ADIT attributable to the removed property.

The Company's response was not limited to ADIT liabilities. The removal of rate base ADIT attributable to the removed property would be inclusive of both ADIT assets and liabilities, including the NOL carryforward deferred tax asset.

- b. The operations in Missouri, Iowa, Illinois, and Georgia were sold for a taxable gain. This gain was an offset against the NOL that would have otherwise been reported on the Company's tax return. Therefore, the resulting NOL carryforward deferred tax asset recorded in Account 190 in Division 02 was reduced for the sale of these operations.

Respondent: Jennifer Story

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REQUEST:

Refer to Atmos's response to Attorney General's Initial Request for Information (Attorney General's Initial Request), Item 2. Explain whether Atmos would also include a schedule showing the former-PRP expenditures for a historic 12-month period in its proposed August 1st filing.

RESPONSE:

The Company is willing to provide historic 12-month expenditures for bare steel replacement. Since the Company budgets on a fiscal year basis, October through September, amounts provided on August 1 would not initially reflect the full fiscal year, and it would be the following August 1 in which fiscal year data for the year prior would be fully available.

As indicated in the Company's response to AG DR No. 1-06, the nature of the traditional ratemaking process provides the opportunity to review the details of all capital investment via the Minimum Filing Requirements (MFRs) and/or discovery requests.

Specifically, the Company has received in previous rate cases including the current case a Staff discovery request to provide each project started during the last ten calendar years. In response, we have included the project number, name, description, annual cost among other items on a Schedule 13 for every project in each calendar year.

Respondent: Greg Smith

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REQUEST:

Refer to Atmos's response to the Attorney General's Initial Request, Item 8.

- a. Confirm that it is Atmos's intent to limit former-PAP expenditures to \$28 million per year. If confirmed, explain why "PRP Investment" amounts of \$28.8 million are listed for fiscal years 2019 and 2020.
- b. Explain in detail and include a listing of major projects, the 70 percent increase in "Non PRP Investment" between fiscal years 2018 and 2019.

RESPONSE:

- a. Confirmed. The \$28.8 million figures in 2019 and 2020 were erroneous. The corrected table follows:

\$ millions

Fiscal Year	PRP Investment	Non PRP Investment	Total Direct Investment	PRP as % of Total
2013	\$ 17.2	\$ 18.3	\$ 35.5	48%
2014	22.7	26.6	49.3	46%
2015	36.9	18.6	55.5	66%
2016	30.0	34.2	64.2	47%
2017	39.9	33.0	72.9	55%
2018	45.9	33.9	79.8	58%
2019	28.0	58.7	86.7	32%
2020	28.0	68.7	96.7	29%

Please see Attachment 1 to the Company's response to Staff DR No. 3-27 for project level detail by month for the Company's fiscal 2019 budget. The Attachment lists PRP projects for FY19 that total \$28.8 million. While this is \$0.8 million higher than the \$28 million ordered by the Commission in Case No. 2017-00349, it is and will continue to be the Company's intention to comply with the Commission's Order. The \$0.8 million discrepancy represents 2.9% of the intended PRP target and is due to the systematic allocation of the overhead pool across projects in the Company's budgeting system.

- b. Please see Attachment 1. The primary drivers of the increase in non PRP investment between 2018 and 2019 are the ANR Bon Harbor, Paducah Mall & Creek HCA, and KY Farm Tap projects.

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ANR Bon Harbor - Project includes the installation of approximately 4 miles of 8 inch from ANR/TransCanada purchase in Stanley, KY to Atmos Energy's Bon Harbor storage field. Gas conditioning equipment at the storage field is being upgraded for well injection/withdraw and will eliminate on-site compression. With successful completion of the project, the existing 4 inch pipeline running from Stanley to Bon Harbor will be downgraded from Transmission to High Pressure Distribution, eliminating a High Consequence Area (HCA) in Owensboro and reducing risk.

Paducah Mall & Creek HCA - Project involves the replacement of approximately 15,000 feet of 8 inch steel transmission pipe eliminating one High Consequence Area (HCA). The installation of the new pipe allows the operation of existing pipe at distribution pressure, eliminating approximately (12) farm taps and (2) above-ground regulator stations in a high-traffic business district.

KY Farm Tap projects - per PHMSA amended 192.740 regulation (published 3/24/17) titled 'Pressure regulating, limiting, and overpressure protection - Individual service lines directly connected to a production, gathering, or transmission pipeline' (AKA 'Farm Tap Rule'), operators have 3 years to rebuild or modify 'Farm Tap' stations to be routinely inspected every 3 years using the same criteria as distribution system stations. Atmos Energy has approximately 928 farm taps to rebuild/replace and has budgeted work in several cost centers in order to meet this regulatory deadline.

For further explanation, please see the testimony of Greg Waller at the Hearing in Case No. 2017-00349 on the hearing video from approximately 4:23 - 4:29 (run time) which occurred from approximately 2:35 - 2:41 PM on March 22, 2018.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-22_Att1 - Non-PRP Investment FY18 vs. FY19.xls, 5 Pages.

Respondents: Greg Smith and Greg Waller

Atmos Energy Corporation
Kentucky/Mid-States Division
Kentucky Operations
Case No. 2018-00281
Staff 3-22 Part B
Non-PRP Investment FY18 vs. FY19 (in Million \$)

Sum of Amount (\$ Millions)		Fiscal Year		
CB Department	CB Description	CB Budget Cat		
			2018 2019	
2609	2609.Abandon Taps.FY19	System Integrity	\$0.044	
	2609.ANR.Bon Harbor	System Improvements	\$2.416	\$8.655
	2609.Bypass Hoses.FY19	Equipment		\$0.007
	2609.Contacter Replacement	System Integrity		\$0.513
	2609.Equipment.FY18	Equipment	\$0.025	
	2609.Farm Taps.FY19	System Integrity	\$0.004	\$2.748
	2609.Grandview Well Workover	System Integrity	(\$0.001)	
	2609.Leak.Functional	System Integrity	\$0.001	
	2609.Midwestern.Trans.Boiler	System Improvements	\$0.115	
	2609.Stonebore Methanol Pumps	Equipment		\$0.018
	2609.Wescor 6" Exposure.FY19	System Improvements		\$0.185
	BonHarbor.P&A 3 Wells.WO BH7	System Integrity	(\$0.000)	
	Grandview Well Workover.FY18	System Integrity	\$0.228	\$0.547
	Hickory.Junction Valve Repl.17	System Integrity	\$0.018	
	Odorant Tank Disposal - FY19	System Integrity		\$0.118
2609 Total			\$2.806	\$12.833
2612	2612.Gas Supply RTU Install	System Improvements		\$0.091
	2612.KY.Corrector Repl.FY19	System Improvements		\$0.044
	2612.KY.Corrector.Repl.FY18	System Improvements	\$0.054	
	2612.KY.ECAT Replacement.FY17	System Improvements	\$0.000	
	2612.KY.Emergency.Regulators	System Improvements	\$0.022	
	2612.KY.RTU Upgrades.FY18	System Improvements	\$0.056	
	CB18.2612.01.EQ.009	Equipment	\$0.016	
	KY.East Diamond.RTU Upgrade	System Improvements		\$0.056
	KY.Emergency Regulators.FY19	System Improvements		\$0.029
	KY.Hudson.Foods RTU Upgrade	System Improvements		\$0.023
	Truckline.KY.RTU.Uprgrade	System Improvements		\$0.026
2612 Total			\$0.147	\$0.269
2634	2634.41A Phase II.FY19	Public Improvements		\$0.297
	2634.Crystal Gauges.FY19	Equipment		\$0.007
	2634.Equipment.FY18	Equipment	\$0.065	
	2634.ERXs Purchase.FY19	System Integrity		\$0.009
	2634.Gas Tracker.FY19	Equipment		\$0.024
	2634.Growth.Functional	Growth	\$0.217	\$0.158
	2634.Jamison Tracker 800.FY19	Equipment		\$0.003
	2634.Juno WMR.FY19	Equipment		\$0.006
	2634.Leak.Functional	System Integrity	\$0.042	\$0.136
	2634.Misc.Growth Mains.FY19	Growth		\$0.001
	2634.Misc.Growth.FY18	Growth	\$0.006	
	2634.Misc.SysInt.Mains.FY18	System Integrity	\$0.269	
	2634.Misc.SysInt.Mains.FY19	System Integrity		\$0.001
	2634.Misc.Syst.Integ.Main.FY17	System Integrity	(\$0.004)	
	2634.Non.Growth.Functional	System Integrity	\$0.469	\$0.480
	2634.Office.Repairs	Structures	\$0.014	
	2634.Poole Purchase Replace	System Improvements		\$0.067
	2634.Poole TB Replacement	System Improvements		\$0.057
	2634.Thonridge Rucker#1.FY17	System Improvements	(\$0.000)	
	2634.Town Border 2 Replacement	System Improvements		\$0.166
	2634.YZ Purchase Cover.FY18	Structures	\$0.003	
	TD Williamson Tapping.FY19	Equipment		\$0.064
	Warehouse Office Remodel.FY19	Structures		\$0.088
	WMR.2634.Dixon Tower.FY19	System Improvements		\$0.079
	WMR.2634.Endpoints.FY17	System Improvements	\$0.005	
	WMR.2634.Spottsville Base.FY19	System Improvements		\$0.036
2634 Total			\$1.088	\$1.680
2635	2635.Equipment.FY18	Equipment	\$0.018	
	2635.Equipment.FY19	Equipment		\$0.021
	2635.Growth.Functional	Growth	\$0.098	\$0.048
	2635.Leak.Functional	System Integrity	\$0.022	\$0.080
	2635.Misc.Growth Mains.FY19	Growth		\$0.001
	2635.Misc.Growth.FY18	Growth	\$0.010	
	2635.Misc.SysInt.Mains.FY19	System Integrity		\$0.001
	2635.Misc.Syst.Integ.Main.FY17	System Integrity	(\$0.000)	
	2635.Non.Growth.Functional	System Integrity	\$0.241	\$0.363
	2635.Reg.Cover Dawson Springs	Structures	\$0.004	
	2635.WMR.Endpoints.FY18	System Improvements	\$0.618	
	Dawson Springs System Tie Back	System Integrity		\$0.167
	WMR.2635.Towers.FY18	System Improvements	\$0.124	
2635 Total			\$1.135	\$0.682
2636	050.2636.Gateway.Commons	System Improvements	\$0.049	
	2636.5th. St. System Improv.	System Improvements	\$0.020	
	2636.Bentree Tie Back.FY19	System Improvements		\$0.053
	2636.Boothfield Rd. Tie Back	System Improvements		\$0.053

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 Kentucky/Mid-States Division
 Kentucky Operations
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 Non-PRP Investment FY18 vs. FY19 (in Million \$)

Sum of Amount (\$ Millions)		Fiscal Year		
CB Department	CB Description	CB Budget Cat		
			2018 2019	
2636	Building Access Upgrade	Structures	\$0.030	
2636	Burton Rd Station.FY19	System Improvements		\$0.037
2636	Equipment.FY19	Equipment		\$0.047
2636	Fairview.Spur.Reg.FY17	System Improvements	\$0.014	
2636	FY18 Equipment	Equipment	\$0.055	
2636	Gas Tracker.FY19	Equipment		\$0.024
2636	Growth.Functional	Growth	\$0.843	\$1.134
2636	Leak.Functional	System Integrity	\$0.266	\$0.376
2636	Misc Growth Mains.FY19	Growth		\$0.122
2636	Misc.Growth.FY18	Growth	\$0.125	
2636	Misc.Growth.Main.Ext.FY17	Growth	\$0.049	
2636	Misc.SysInt.Mains.FY18	System Integrity	\$0.433	
2636	Misc.SysInt.Mains.FY19	System Integrity		\$0.006
2636	Non.Growth.Functional	System Integrity	\$1.550	\$1.589
2636	Parking Lot Sealing.FY19	Structures		\$0.008
2636	Settles Rd.Tie Back.FY19	System Improvements		\$0.026
2636	T. D. Williamson.FY19	Equipment		\$0.036
	Breckenridge.Co.Ind.Park.TBS	System Integrity	\$0.002	
	Hartford Purchase Y2 Injector	System Integrity	\$0.068	
	Midwest Purch G Valve Repl.	System Integrity	\$0.056	
	Owensboro Warehouse Lighting	Structures		\$0.009
	WMR.2636.Cental.City.Endpoints	System Improvements	\$0.213	
	WMR.2636.Central.City.Tower	System Improvements	\$0.060	
2636 Total			\$3.803	\$3.549
2637	040.009 MEC Forfeiture	Growth	(\$0.131)	
2637	Blandville Rd Widening	System Integrity		\$0.005
2637	CalvertCity Purch Rebuild	System Integrity	\$0.600	\$0.389
2637	Equipment.FY18	Equipment	\$0.105	
2637	Equipment.FY19	Equipment		\$0.042
2637	ERX Purchase.FY18	System Improvements	\$0.018	
2637	Estes Lane Reinforcement	System Integrity		\$0.129
2637	Forsythia Farm Taps.FY18	System Integrity	\$0.059	
2637	Grade 3 Leak Repairs.FY18	System Integrity	\$0.149	
2637	Grand Rivers WMR Tower	System Improvements	\$0.037	
2637	Growth.Functional	Growth	\$0.634	\$0.621
2637	Hwy 282 Main Repl.FY18	System Integrity	\$0.040	
2637	KY Farm Taps.FY19	System Integrity		\$0.523
2637	Leak.Functional	System Integrity	\$0.302	\$0.282
2637	Meredith Rd Reg.Stat.FY18	System Improvements	\$0.018	
2637	Misc Growth Mains.FY19	Growth		\$0.185
2637	Misc.Growth.FY18	Growth	\$0.165	
2637	Misc.Growth.Main.Ext.FY16	Growth	\$0.000	
2637	Misc.Growth.Main.Ext.FY17	Growth	\$0.031	
2637	Misc.SysInt.Main.FY18	System Integrity	\$0.122	
2637	Misc.SysInt.Mains.FY19	System Integrity		\$0.001
2637	Misc.Syst.Integ.Main.FY17	System Integrity	(\$0.001)	
2637	Non.Growth.Functional	System Integrity	\$1.280	\$1.101
2637	Odorant Tank Disposal.18	System Improvements	\$0.074	
2637	Un-tonable Pipe Repl.FY19	System Integrity		\$0.201
2637	WKCTC Pipe Replacement	System Integrity		\$0.106
2637	WMR Tower.FY19	System Improvements		\$0.061
CB13.2637.01.GR.009		Growth	\$0.002	
	Husband.Rd.Replacement.18	System Integrity	\$0.033	
	Hwy 62 Widening Calvert City	Public Improvements	\$0.106	
	Massac Creek Crossing.FY19	System Integrity	\$0.001	\$0.566
	Paducah Grade #3 Leaks.FY19	System Integrity		\$0.043
	Paducah Isolation Valves.FY19	System Integrity		\$0.010
	Paducah Mall & Creek HCA	System Integrity		\$7.207
	Windsor Square.HCA12.FY16	System Integrity	(\$0.000)	
2637 Total			\$3.644	\$11.470
2638	2638.63 FV Replacements.FY19	System Integrity		\$0.023
2638	Beadlestown Purchase.FY17	System Improvements	\$0.115	
2638	Equipment.FY18	Equipment	\$0.011	
2638	Equipment.FY19	Equipment		\$0.004
2638	Growth.Functional	Growth	\$0.115	\$0.120
2638	Leak.Functional	System Integrity	\$0.048	\$0.077
2638	Mayfield ERX.2018	System Improvements	\$0.020	
2638	Mayfield Heater Repl.FY19	System Improvements		\$0.272
2638	MAYFIELD. GROWTH MAINS	Growth	\$0.005	
2638	Misc Growth Mains.FY19	Growth		\$0.001
2638	Misc.Growth.FY18	Growth	\$0.062	
2638	Misc.Growth.Main.Ext.FY15	Growth	\$0.004	
2638	Misc.Growth.Main.Ext.FY16	Growth	\$0.003	

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Non-PRP Investment FY18 vs. FY19 (in Million \$)

Sum of Amount (\$ Millions)		Fiscal Year	
CB Department	C.B. Description	CB Budget Cat	2018 2019
	2638.Misc.Growth.Main.Ext.FY17	Growth	\$0.000
	2638.Misc.SysInt.Main.FY18	System Integrity	\$0.091
	2638.Misc.SysInt.Mains.FY19	System Integrity	\$0.001
	2638.Murray St Replacement	System Integrity	\$0.033
	2638.Non.Growth.Functional	System Integrity	\$0.434 \$0.471
	2638.Repair Grade 3 Leaks.FY18	System Integrity	\$0.041
	2638.South Reinforcement Ph. 2	System Improvements	\$0.924
	2638.South Reinforcement.FY17	System Improvements	\$0.006
	2638.Southern Bypass.FY18	Public Improvements	(\$0.044)
	2638.Wingo Purchase Upgrade	System Integrity	\$0.154
	Hardeman Creek Crossing.FY19	System Integrity	\$0.001 \$0.041
	Hardeman Hwy 1710 Farm Taps	System Integrity	\$0.062
	Symsonia Creek Crossing.FY19	System Integrity	\$0.001 \$0.041
2638 Total			\$1.991 \$1.146
2734	2734.Auburn Purchase.Stat.FY18	System Integrity	\$0.146
	2734.BG Center Line Phase 3	System Integrity	\$1.121
	2734.BG Farm Taps.FY19	System Integrity	\$1.056
	2734.Elkton TBS.FY17	System Improvements	\$0.041
	2734.Equipment.FY17	Equipment	\$0.000
	2734.Equipment.FY18	Equipment	\$0.076
	2734.FY19.Equipment	Equipment	\$0.113
	2734.FY19.Structure	Structures	\$0.011
	2734.Growth.Functional	Growth	\$0.954 \$1.216
	2734.Leak.Functional	System Integrity	\$0.364 \$0.255
	2734.McGinnis Quarry Rd.Reinf.	System Improvements	\$1.147
	2734.Misc Growth Mains.FY19	Growth	\$0.294
	2734.Misc.Growth.FY18	Growth	\$0.202
	2734.Misc.Growth.Main.Ext.FY14	Growth	(\$0.002)
	2734.Misc.Growth.Main.FY17	Growth	\$0.025
	2734.Misc.SysInt.Mains.FY18	System Integrity	\$0.018
	2734.Misc.SysInt.Mains.FY19	System Integrity	\$0.009
	2734.Misc.Syst.Integ.Main.FY17	System Integrity	\$0.001
	2734.Non.Growth.Functional	System Integrity	\$1.162 \$1.091
	2734.Scottsville.Rd.Extension	Growth	\$0.114
	2734.Small House Relo.FY18	Public Improvements	\$0.657
	2734.Structures.FY18	Structures	\$0.034
	2734.Three Springs Rd TBS	System Improvements	\$0.234
	Beechbend Rd. Reinforcement	System Improvements	\$0.159
	BG Purchase Stat. 1 Replc.FY17	System Improvements	\$0.044
	Logan Aluminum Upgrade	System Improvements	\$0.047
	McGinnis Quarry Rd TGT Tap	System Improvements	\$0.851
	Petty Rd to JC Kirby Cemetery	System Improvements	\$0.585
	Plano Rd to Scottsville Rd	System Improvements	\$2.510
	Plano.Rd.System Improv.	System Improvements	\$0.003
	Russellville Rd.Dishman.Tie-In	System Improvements	\$0.008
	Wilkey Industrial Park.FY17	Growth	\$0.011
	WMR.2734.EndpInts.FY19	System Improvements	\$1.183
	WMR.2734.Towers.FY19	System Improvements	\$0.697
2734 Total			\$5.901 \$10.532
2735	2735.Akebono Meter Set	System Improvements	\$0.116
	2735.Cave City Tie-In	System Improvements	\$0.051
	2735.Equipment FY19	Equipment	\$0.028
	2735.Equipment.FY18	Equipment	\$0.014
	2735.FY19.Glasgow ERX	System Improvements	\$0.029
	2735.Glasgow Farm Taps FY19	System Integrity	\$0.637
	2735.Growth.Functional	Growth	\$0.089 \$0.076
	2735.Hiseville.TBS.Replc	System Integrity	\$0.037
	2735.Leak.Functional	System Integrity	\$0.142 \$0.094
	2735.Misc Growth Mains.FY19	Growth	\$0.001
	2735.Misc.Growth.FY18	Growth	\$0.004
	2735.Misc.SysInt.Mains.FY19	System Integrity	\$0.001
	2735.Misc.Syst.Integ.Main.FY17	System Integrity	\$0.044
	2735.Non.Growth.Functional	System Integrity	\$0.276 \$0.210
	2735.Oakland Town Border	System Improvements	\$0.076
2735 Total			\$0.657 \$1.270
2736	050.2736.Central Ave.FY18	System Integrity	\$0.695
	2736.Calvin Dr.Reg.Stat.FY17	System Integrity	(\$0.001)
	2736.East 19th St.FY19	System Improvements	\$0.696
	2736.Equipment.FY18	Equipment	\$0.069
	2736.Equipment.FY19	Equipment	\$0.022
	2736.Growth.Functional.	Growth	\$0.165 \$0.102
	2736.Hopkinsville KY Office	Structures	\$0.535
	2736.HWEA Inspection.FY19	Public Improvements	\$0.266

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Sum of Amount (\$ Millions)		Fiscal Year	
CB Department	C.B. Description	CB Budget Cat	
			2018 2019
	2736.Leak.Functional.	System Integrity	\$0.086 \$0.248
	2736.Misc.Growth Mains.FY19	Growth	\$0.001
	2736.Misc.Growth.FY18	Growth	\$0.033
	2736.Misc.Growth.Main.FY17	Growth	\$0.003
	2736.Misc.SysInt.Mains.FY18	System Integrity	\$0.002
	2736.Misc.SysInt.Mains.FY19	System Integrity	\$0.002
	2736.Non.Growth.Functional.	System Integrity	\$0.346 \$0.297
	2736.Nortonville T.B. Station	System Improvements	\$0.108
	2736.Structures.FY19	Structures	\$0.050
	Hopkinsville Warehouse Repl.	Structures	\$0.106
	Nortonville 1st Cut Station	System Improvements	\$0.106
	WMR.2736.Endpoints.FY18	System Improvements	\$0.265
	WMR.2736.Endpoints.FY19	System Improvements	\$0.566
	WMR.2736.Tower.FY18	System Improvements	\$0.109
2736 Total			\$1.717 \$3.158
2737	2737.2nd St. Bridge Repl.FY18	System Integrity	\$0.118
	2737.Burgin Town Border	System Integrity	\$0.071
	2737.Caldwell Rectifier.FY18	System Integrity	\$0.006
	2737.Equipment.FY19	Equipment	\$0.036
	2737.Equipment.FY18	Equipment	\$0.031
	2737.FY19.Danville ERX	System Improvements	\$0.039
	2737.Growth.Funct.	Growth	\$0.115 \$0.097
	2737.Hustonville Adyl A Replc	System Integrity	\$0.555
	2737.Hwy 150 West.FY18	System Improvements	\$0.230
	2737.Leak.Funct.	System Integrity	\$0.088 \$0.146
	2737.Misc.Growth Mains.FY19	Growth	\$0.001
	2737.Misc.Growth.FY18	Growth	(\$0.001)
	2737.Misc.Growth.Main.FY17	Growth	(\$0.000)
	2737.Misc.SysInt.Mains.FY19	System Integrity	\$0.001
	2737.Non.Growth.Funct.	System Integrity	\$0.430 \$0.724
	2737.Office Asphalt ParkingLot	Structures	\$0.068
	2737.TBS REPLACEMENTS.FY17	System Improvements	\$0.696
2737 Total			\$1.782 \$1.669
2738	2738.Broadway Relocation.FY18	Public Improvements	\$0.612
	2738.Bypass Relocation	Public Improvements	\$0.073
	2738.Equipment.FY18	Equipment	\$0.015
	2738.Equipment.FY19	Equipment	\$0.038
	2738.FY19.Campbellsville ERX	System Improvements	\$0.027
	2738.Greensburg Town Borders	System Improvements	\$0.189
	2738.Growth.Functional	Growth	\$0.159 \$0.100
	2738.Leak.Functional.	System Integrity	\$0.050 \$0.043
	2738.Misc.Growth Mains.FY19	Growth	\$0.001
	2738.Misc.Growth.FY18	Growth	\$0.023
	2738.Misc.Growth.Main.FY17	Growth	(\$0.003)
	2738.Misc.SysInt.Mains.FY19	System Integrity	\$0.001
	2738.Non.Growth.Functional.	System Integrity	\$0.282 \$0.363
	2738.Warehouse Modification	Structures	\$0.056
	Hodgenville Rd. Reinforcement	System Improvements	\$0.413
	Saloma HPD Line Exposures	System Integrity	\$0.491
	Saloma Purchase Station.FY19	System Integrity	\$0.014 \$0.316
	Summersville Purch Stat.FY19	System Integrity	\$0.012 \$0.309
2738 Total			\$1.294 \$2.292
2739	2739.Equipment.FY18	Equipment	\$0.040
	2739.Equipment.FY19	Equipment	\$0.026
	2739.FY19.Shelbyville ERX	System Improvements	\$0.021
	2739.Growth.Functional	Growth	\$0.360 \$0.390
	2739.Hwy 53 to Lat Line 12 HP5	System Integrity	(\$0.052)
	2739.Hwy53 to Waddy Line Ph 2	System Improvements	\$6.986 \$4.219
	2739.Leak.Functional	System Integrity	\$0.013 \$0.040
	2739.Martinrea Town Border	System Integrity	\$0.219
	2739.Misc.Growth Mains.FY19	Growth	\$0.089
	2739.Misc.Growth.FY18	Growth	\$0.082
	2739.Misc.Growth.Main.Ext.FY16	Growth	\$0.000
	2739.Misc.Growth.Main.FY17	Growth	\$0.021
	2739.Misc.SysInt.Mains.FY19	System Integrity	\$0.001
	2739.Non.Growth.Functional	System Integrity	\$0.178 \$0.399
	2739.Osprey Cove Reinforcement	System Improvements	\$0.278
	2739.Shelbyville Low Pressure	System Improvements	\$0.421
	CB11.2739.14.SINT.009	System Integrity	\$0.002
	Shelbyville Farm Taps.FY19	System Integrity	\$1.114
	Shelbyville.Purch.Stat.Upgrade	System Improvements	\$0.206
2739 Total			\$7.836 \$7.218
3302	3302.Ky Laptops Fall.FY18	Information Technology	\$0.024

Atmos Energy Corporation
 Kentucky/Mid-States Division
 Kentucky Operations
 Case No. 2018-00281
 Staff 3-22 Part B
 Non-PRP Investment FY18 vs. FY19 (in Million \$)

Sum of Amount (\$ Millions)		Fiscal Year	
CB Department	C- CB Description	CB Budget Cat	2018 2019
3302	3302.KY.Desktops.FY19	Information Technology	\$0.021
	3302.KY.Laptops.FY19	Information Technology	\$0.020
	3302.KY.MDT.FY19	Information Technology	\$0.072
	3302.KY.MDTs.Spring.FY18	Information Technology	\$0.058
	3302.KY.Phone.System.Repl.FY17	Information Technology	\$0.007
	3302.KY.Server.Repl.FY18	Information Technology	\$0.021
	3303.KY.Laptops.Spring.FY18	Information Technology	\$0.019
3302 Total			\$0.130 \$0.112
Grand Total			\$33,931 \$57,879

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Atmos Energy Corporation, Kentucky Division
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REQUEST:

Refer to Atmos's response to the Attorney General's Initial Request, Item 44.e.

- a. Explain in detail what Atmos is referring to when it states that it is eligible for 100 percent expensing for its fiscal year ended September 30, 2018, and include what is eligible for 100 percent expensing.
- b. Identify the specific provisions of the Tax Cuts and Jobs Act and any interpretations or explanations thereof by a federal agency or court that support Atmos's contention that it is eligible for 100 percent expensing for its fiscal year ended September 30, 2018.
- c. State whether Atmos contends that it will remain eligible for 100 percent expensing in tax years ending after September 30, 2018.
- d. State whether Atmos utilized 100 percent expensing for its fiscal year ended September 30, 2018.
- e. If the response to part d. is in the affirmative, identify and describe any impact on rate base in the base and forecasted test period.

RESPONSE:

- a. IRC 168(k)(6)(A)(i) states the applicable bonus depreciation percentage for property acquired and placed in service after September 27, 2017 will be 100%.

IRC 168(k)(9) states exceptions for certain property for the purposes of the additional depreciation deduction. Under this statute qualified property shall not include any property which is used in a trade or business as described in IRC 163(j)(7)(A)(IV)(I). IRC 163(j)(7)(A)(iv)(II) and (III) provides that the term "trade or business" shall not include gas or steam through a local distribution system or transportation of gas or steam by pipeline.

IRS proposed Reg 2018-16716 provides support and clarification for the statutory requirements that must be met for depreciable property to qualify for the additional first year depreciation deduction provided by 168(k), as amended by the TCJA. These proposed regulations are consistent with the IRC sections referenced above in providing an exception to the 100% expensing provisions of 168(k) for gas utilities. This exception is applicable for tax years beginning after December 31, 2017.

Therefore, the Company was eligible for 100% expensing of qualifying capital additions beginning on September 27, 2017 pursuant to IRC 168(k)(6)(A)(i). The exception to 100% expensing for gas utilities is effective for tax years beginning after December 31, 2017, pursuant to IRS proposed Reg 2018-16716. This means that the exception to 100% expensing was not effective for the Company during its fiscal year ending September 30, 2018 and instead is applicable beginning in its fiscal

Case No. 2018-00281
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year ending September 30, 2019. Therefore, the Company was eligible to expense 100% of qualifying capital additions for its fiscal year ending September 30, 2018.

Qualifying capital additions are generally defined as tangible personal property with a MACRs recovery period of 20 years or less. For Atmos Energy, this means that most capital additions that were placed in service during the fiscal year ended September 30, 2018, such as gas distribution property, were qualifying additions for purposes of 100% expensing. Complex rules in the IRC and related guidance exist for self-constructed assets for which construction began before September 27, 2017 and the asset was placed in service prior to September 27, 2017. The Company is evaluating these rules and will finalize the related computations prior to the filing of its federal tax return in July 2019.

As described above, certain types of property, including gas distribution and transmission property, are not eligible for bonus depreciation in any taxable year beginning after December 31, 2017.

Please refer to page 46 and 48-49 of Attachment 1 (IRC Section 168) and page 1 of Attachment 2 (IRC Section 163).

Please refer to page 9 of Attachment 3 (Proposed Reg 2018-16716).

- b. Please see the Company's response to subpart (a).
- c. Please see the Company's response to subpart (a).
- d. Confirm.
- e. 100% expensing for the Company's fiscal year ended September 30, 2018 capital additions resulted in additional ADIT liabilities in the base period quarter ending September 30, 2018, as properly reflected in the Company's filing.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-23_Att1 - IRC Section 168.pdf, 200 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_3-23_Att2 - IRC Section 163 .pdf, 1 Page.

ATTACHMENT 3 - Atmos Energy Corporation, Staff_3-23_Att3 - Proposed Reg 2018-16716).pdf, 121 Pages.

Respondent: Jennifer Story

Internal Revenue Code, § 168. Accelerated Cost Recovery System

Internal Revenue Code

Subtitle A — INCOME TAXES (Sections 1 to 1564)

Chapter 1 — Normal taxes and surtaxes (Sections 1 to 1400Z-2)

Subchapter B — Computation of Taxable Income (Sections 61 to 291)

Part VI — Itemized Deductions for Individuals and Corporations (Sections 161 to 199A)

Internal Revenue Code, § 168. Accelerated Cost Recovery System

I.R.C. § 168(a) **General Rule** — Except as otherwise provided in this section, the depreciation deduction provided by section 167(a) for any tangible property shall be determined by using—

I.R.C. § 168(a)(1) — the applicable depreciation method,

I.R.C. § 168(a)(2) — the applicable recovery period, and

I.R.C. § 168(a)(3) — the applicable convention.

I.R.C. § 168(b) **Applicable Depreciation Method** — For purposes of this section—

I.R.C. § 168(b)(1) **In General** — Except as provided in paragraphs (2) and (3), the applicable depreciation method is—

I.R.C. § 168(b)(1)(A) — the 200 percent declining balance method,

I.R.C. § 168(b)(1)(B) — switching to the straight line method for the 1st taxable year for which using the straight line method with respect to the adjusted basis as of the beginning of such year will yield a larger allowance.

I.R.C. § 168(b)(2) **150 Percent Declining Balance Method In Certain Cases** —

Editor's Note: Sec. 168(b)(2), below, after amendment by Pub. L. 115-97, Sec. 13203(b), is effective for property placed in service after December 31, 2017, in taxable years ending after such date.

Paragraph (1) shall be applied by substituting "150 percent" for "200 percent" in the case of—

I.R.C. § 168(b)(2)(A) — any 15-year or 20-year property not referred to in paragraph (3),

I.R.C. § 168(b)(2)(B) — any property (other than property described in paragraph (3)) which is a qualified smart electric meter or qualified smart electric grid system, or

I.R.C. § 168(b)(2)(C) — any property (other than property described in paragraph (3)) with respect to which the taxpayer elects under paragraph (5) to have the provisions of this paragraph apply.

I.R.C. § 168(b)(2) **150 Percent Declining Balance Method In Certain Cases** —

Internal Revenue Code, § 168. Accelerated Cost Recovery System

Editor's Note: Sec. 168(b)(2), below, before amendment by Pub. L. 115-97, Sec. 13203(b), is effective for property placed in service before January 1, 2018, in taxable years ending before such date.

Paragraph (1) shall be applied by substituting "150 percent" for "200 percent" in the case of—

I.R.C. § 168(b)(2)(A) — any 15-year or 20-year property not referred to in paragraph (3),

I.R.C. § 168(b)(2)(B) — any property used in a farming business (within the meaning of section 263A(e)(4)),

I.R.C. § 168(b)(2)(C) — any property (other than property described in paragraph (3)) which is a qualified smart electric meter or qualified smart electric grid system, or

I.R.C. § 168(b)(2)(D) — any property (other than property described in paragraph (3)) with respect to which the taxpayer elects under paragraph (5) to have the provisions of this paragraph apply.

I.R.C. § 168(b)(3) Property To Which Straight Line Method Applies —

Editor's Note: Sec. 168(b)(3), below, after amendment by Pub. L. 115-97, Sec. 13204(a)(2), is effective for property placed in service after December 31, 2017.

The applicable depreciation method shall be the straight line method in the case of the following property:

I.R.C. § 168(b)(3)(A) — Nonresidential real property.

I.R.C. § 168(b)(3)(B) — Residential rental property.

I.R.C. § 168(b)(3)(C) — Any railroad grading or tunnel bore.

I.R.C. § 168(b)(3)(D) — Property with respect to which the taxpayer elects under paragraph (5) to have the provisions of this paragraph apply.

I.R.C. § 168(b)(3)(E) — Property described in subsection (e)(3)(D)(ii).

I.R.C. § 168(b)(3)(F) — Water utility property described in subsection (e)(5).

I.R.C. § 168(b)(3)(G) — Qualified improvement property described in subsection (e)(6).

I.R.C. § 168(b)(3) Property To Which Straight Line Method Applies —

Internal Revenue Code, § 168. Accelerated Cost Recovery System

Editor's Note: Sec. 168(b)(3), below, before amendment by Pub. L. 115-97, Sec. 13204(a)(2), is effective for property placed in service before January 1, 2018.

The applicable depreciation method shall be the straight line method in the case of the following property:

I.R.C. § 168(b)(3)(A) — Nonresidential real property.

I.R.C. § 168(b)(3)(B) — Residential rental property.

I.R.C. § 168(b)(3)(C) — Any railroad grading or tunnel bore.

I.R.C. § 168(b)(3)(D) — Property with respect to which the taxpayer elects under paragraph (5) to have the provisions of this paragraph apply.

I.R.C. § 168(b)(3)(E) — Property described in subsection (e)(3)(D)(ii).

I.R.C. § 168(b)(3)(F) — Water utility property described in subsection (e)(5).

I.R.C. § 168(b)(3)(G) — Qualified leasehold improvement property described in subsection (e)(6).

I.R.C. § 168(b)(3)(H) — Qualified restaurant property described in subsection (e)(7).

I.R.C. § 168(b)(3)(I) — Qualified retail improvement property described in subsection (e)(8).

I.R.C. § 168(b)(4) **Salvage Value Treated As Zero** — Salvage value shall be treated as zero.

I.R.C. § 168(b)(5) **Election** — An election under paragraph (2)(D) or (3)(D) may be made with respect to 1 or more classes of property for any taxable year and once made with respect to any class shall apply to all property in such class placed in service during such taxable year. Such an election, once made, shall be irrevocable.

I.R.C. § 168(c) **Applicable Recovery Period** — For purposes of this section, the applicable recovery period shall be determined in accordance with the following table:

In the case of:	The applicable recovery period is:
3-year property.....	3 years
5-year property.....	5 years
7-year property.....	7 years
10-year property.....	10 years
15-year property.....	15 years
20-year property.....	20 years
Water utility property.....	25 years
Residential rental property.....	27.5 years
Nonresidential real property.....	39 years
Any railroad grading or tunnel bore.....	50 years

Internal Revenue Code, § 168. Accelerated Cost Recovery System

I.R.C. § 168(d) **Applicable Convention** — For purposes of this section—

I.R.C. § 168(d)(1) **In General** — Except as otherwise provided in this subsection, the applicable convention is the half-year convention.

I.R.C. § 168(d)(2) **Real Property** — In the case of—

I.R.C. § 168(d)(2)(A) — nonresidential real property,

I.R.C. § 168(d)(2)(B) — residential rental property, and

I.R.C. § 168(d)(2)(C) — any railroad grading or tunnel bore,

the applicable convention is the mid-month convention.

I.R.C. § 168(d)(3) **Special Rule Where Substantial Property Placed in Service During Last 3 Months Of Taxable Year**

I.R.C. § 168(d)(3)(A) **In General** — Except as provided in regulations, if during any taxable year—

I.R.C. § 168(d)(3)(A)(i) — the aggregate bases of property to which this section applies placed in service during the last 3 months of the taxable year, exceed

I.R.C. § 168(d)(3)(A)(ii) — 40 percent of the aggregate bases of property to which this section applies placed in service during such taxable year,

the applicable convention for all property to which this section applies placed in service during such taxable year shall be the mid-quarter convention.

I.R.C. § 168(d)(3)(B) **Certain Property Not Taken Into Account** — For purposes of subparagraph (A), there shall not be taken into account—

I.R.C. § 168(d)(3)(B)(i) — any nonresidential real property, residential rental property, and railroad grading or tunnel bore, and

I.R.C. § 168(d)(3)(B)(ii) — any other property placed in service and disposed of during the same taxable year.

I.R.C. § 168(d)(4) **Definitions**

I.R.C. § 168(d)(4)(A) **Half-Year Convention** — The half-year convention is a convention which treats all property placed in service during any taxable year (or disposed of during any taxable year) as placed in service (or disposed of) on the mid-point of such taxable year.

I.R.C. § 168(d)(4)(B) **Mid-Month Convention** — The mid-month convention is a convention which treats all property placed in service during any month (or disposed of during any month) as placed in service (or disposed of) on the mid-point of such month.

Internal Revenue Code, § 168. Accelerated Cost Recovery System

I.R.C. § 168(d)(4)(C) Mid-Quarter Convention — The mid-quarter convention is a convention which treats all property placed in service during any quarter of a taxable year (or disposed of during any quarter of a taxable year) as placed in service (or disposed of) on the mid-point of such quarter.

I.R.C. § 168(e) Classification Of Property — For purposes of this section—

I.R.C. § 168(e)(1) In General — Except as otherwise provided in this subsection, property shall be classified under the following table:

Property shall be treated as:	If such property has a class life (in years) of:
3-year property.....	4 or less
5-year property.....	More than 4 but less than 10
7-year property.....	10 or more but less than 16
10-year property.....	16 or more but less than 20
15-year property.....	20 or more but less than 25
20-year property.....	25 or more.

I.R.C. § 168(e)(2) Residential Rental Or Nonresidential Real Property

I.R.C. § 168(e)(2)(A) Residential Rental Property

I.R.C. § 168(e)(2)(A)(i) Residential Rental Property — The term "residential rental property" means any building or structure if 80 percent or more of the gross rental income from such building or structure for the taxable year is rental income from dwelling units.

I.R.C. § 168(e)(2)(A)(ii) Definitions — For purposes of clause (i)—

I.R.C. § 168(e)(2)(A)(ii)(I) — the term "dwelling unit" means a house or apartment used to provide living accommodations in a building or structure, but does not include a unit in a hotel, motel, or other establishment more than one-half of the units in which are used on a transient basis, and

I.R.C. § 168(e)(2)(A)(ii)(II) — if any portion of the building or structure is occupied by the taxpayer, the gross rental income from such building or structure shall include the rental value of the portion so occupied.

I.R.C. § 168(e)(2)(B) Nonresidential Real Property — The term "nonresidential real property" means section 1250 property which is not—

I.R.C. § 168(e)(2)(B)(i) — residential rental property, or

I.R.C. § 168(e)(2)(B)(ii) — property with a class life of less than 27.5 years.

I.R.C. § 168(e)(3) Classification Of Certain Property

I.R.C. § 168(e)(3)(A) 3-Year Property — The term "3-year property" includes—

I.R.C. § 168(e)(3)(A)(i) — any race horse—

Internal Revenue Code, § 168. Accelerated Cost Recovery System

I.R.C. § 168(e)(3)(A)(i)(I) — which is placed in service before January 1, 2018, and

I.R.C. § 168(e)(3)(A)(i)(II) — which is placed in service after December 31, 2017, and which is more than 2 years old at the time such horse is placed in service by such purchaser,

I.R.C. § 168(e)(3)(A)(ii) — any horse other than a race horse which is more than 12 years old at the time it is placed in service, and

I.R.C. § 168(e)(3)(A)(iii) — any qualified rent-to-own property.

I.R.C. § 168(e)(3)(B) 5-Year Property — The term "5-year property" includes—

I.R.C. § 168(e)(3)(B)(i) — any automobile or light general purpose truck,

I.R.C. § 168(e)(3)(B)(ii) — any semi-conductor manufacturing equipment,

I.R.C. § 168(e)(3)(B)(iii) — any computer-based telephone central office switching equipment,

I.R.C. § 168(e)(3)(B)(iv) — any qualified technological equipment,

I.R.C. § 168(e)(3)(B)(v) — any section 1245 property used in connection with research and experimentation,

I.R.C. § 168(e)(3)(B)(vi) — any property which—

I.R.C. § 168(e)(3)(B)(vi)(I) — is described in subparagraph (A) of section 48(a)(3) (or would be so described if "solar or wind energy" were substituted for "solar energy" in clause (i) thereof and the last sentence of such section did not apply to such subparagraph),

I.R.C. § 168(e)(3)(B)(vi)(II) — is described in paragraph (15) of section 48(l) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) and has a power production capacity of not greater than 80 megawatts, or

I.R.C. § 168(e)(3)(B)(vi)(III) — is described in section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), and

I.R.C. § 168(e)(3)(B)(vii) —

Editor's Note: Sec. 168(e)(3)(B)(vii), below, after amendment by Pub. L. 115-97, Sec. 13203(a), is effective for property placed in service after December 31, 2017, in taxable years ending after such date.

any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) which is used in a farming business (as defined in section 263A(e)(4)), the original use of which commences with the taxpayer after December 31, 2017.

I.R.C. § 168(e)(3)(B)(vii) —

Internal Revenue Code, § 168. Accelerated Cost Recovery System

Editor's Note: Sec. 168(e)(3)(B)(vii), below, before amendment by Pub. L. 115-97, Sec. 13203(a), is effective for property placed in service before January 1, 2018, in taxable years ending before such date.

any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) which is used in a farming business (as defined in section 263A(e)(4)), the original use of which commences with the taxpayer after December 31, 2008, and which is placed in service before January 1, 2010.

Nothing in any provision of law shall be construed to treat property as not being described in subclause (I) or (II) of clause (vi) by reason of being public utility property.

I.R.C. § 168(e)(3)(C) 7-Year Property — The term "7-year property" includes—

I.R.C. § 168(e)(3)(C)(i) — any railroad track,

I.R.C. § 168(e)(3)(C)(ii) — any motorsports entertainment complex,

I.R.C. § 168(e)(3)(C)(iii) — any Alaska natural gas pipeline,

I.R.C. § 168(e)(3)(C)(iv) — any natural gas gathering line the original use of which commences with the taxpayer after April 11, 2005, and

I.R.C. § 168(e)(3)(C)(v) — any property which—

I.R.C. § 168(e)(3)(C)(v)(I) — does not have a class life, and

I.R.C. § 168(e)(3)(C)(v)(II) — is not otherwise classified under paragraph (2) or this paragraph.

I.R.C. § 168(e)(3)(D) 10-Year Property — The term "10-year property" includes—

I.R.C. § 168(e)(3)(D)(i) — any single purpose agricultural or horticultural structure (within the meaning of subsection (i)(13)),

I.R.C. § 168(e)(3)(D)(ii) — any tree or vine bearing fruit or nuts,

I.R.C. § 168(e)(3)(D)(iii) — any qualified smart electric meter, and

I.R.C. § 168(e)(3)(D)(iv) — any qualified smart electric grid system.

I.R.C. § 168(e)(3)(E) 15-Year Property —

Editor's Note: Sec. 168(e)(3)(E), below, after amendment by Pub. L. 115-97, Sec. 13204(a)(1)(A), is effective for property placed in service after December 31, 2017.

Internal Revenue Code, § 168. Accelerated Cost Recovery System

The term "15-year property" includes---

I.R.C. § 168(e)(3)(E)(i) — any municipal wastewater treatment plant,

I.R.C. § 168(e)(3)(E)(ii) — any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications ,

I.R.C. § 168(e)(3)(E)(iii) — any section 1250 property which is a retail motor fuels outlet (whether or not food or other convenience items are sold at the outlet),

I.R.C. § 168(e)(3)(E)(iv) — initial clearing and grading land improvements with respect to gas utility property,

I.R.C. § 168(e)(3)(E)(v) — any section 1245 property (as defined in section 1245(a)(3)) used in the transmission at 69 or more kilovolts of electricity for sale and the original use of which commences with the taxpayer after April 11, 2005, and

I.R.C. § 168(e)(3)(E)(vi) — any natural gas distribution line the original use of which commences with the taxpayer after April 11, 2005, and which is placed in service before January 1, 2011.

I.R.C. § 168(e)(3)(E) 15-Year Property —

Editor's Note: Sec. 168(e)(3)(E), below, before amendment by Pub. L. 115-97, Sec. 13204(a)(1)(A), is effective for property placed in service before January 1, 2018.

The term "15-year property" includes—

I.R.C. § 168(e)(3)(E)(i) — any municipal wastewater treatment plant,

I.R.C. § 168(e)(3)(E)(ii) — any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications ,

I.R.C. § 168(e)(3)(E)(iii) — any section 1250 property which is a retail motor fuels outlet (whether or not food or other convenience items are sold at the outlet), and

I.R.C. § 168(e)(3)(E)(iv) — any qualified leasehold improvement property,

I.R.C. § 168(e)(3)(E)(v) — any qualified restaurant property,

I.R.C. § 168(e)(3)(E)(vi) — initial clearing and grading land improvements with respect to gas utility property,

I.R.C. § 168(e)(3)(E)(vii) — any section 1245 property (as defined in section 1245(a)(3)) used in the transmission at 69 or more kilovolts of electricity for sale and the original use of which commences with the taxpayer after April 11, 2005,

Internal Revenue Code, § 168. Accelerated Cost Recovery System

I.R.C. § 168(e)(3)(E)(viii) — any natural gas distribution line the original use of which commences with the taxpayer after April 11, 2005, and which is placed in service before January 1, 2011, and

I.R.C. § 168(e)(3)(E)(ix) — any qualified retail improvement property.

I.R.C. § 168(e)(3)(F) **20-Year Property** — The term “20-year property” means initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant.

I.R.C. § 168(e)(4) **Railroad Grading Or Tunnel Bore** — The term “railroad grading or tunnel bore” means all improvements resulting from excavations (including tunneling), construction of embankments, clearings, diversions of roads and streams, sodding of slopes, and from similar work necessary to provide, construct, reconstruct, alter, protect, improve, replace, or restore a roadbed or right-of-way for railroad track.

I.R.C. § 168(e)(5) **Water Utility Property** — The term “water utility property” means property—

I.R.C. § 168(e)(5)(A) — which is an integral part of the gathering, treatment, or commercial distribution of water, and which, without regard to this paragraph, would be 20-year property, and

I.R.C. § 168(e)(5)(B) — any municipal sewer.

I.R.C. § 168(e)(6) **Qualified Improvement Property** —

Editor's Note: Pub. L. 115-97, Sec. 13204(a)(4)(B)(i), added Sec. 168(e)(6), below, effective for property placed in service after December 31, 2017.

I.R.C. § 168(e)(6)(A) **In General** — The term “qualified improvement property” means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

I.R.C. § 168(e)(6)(B) **Certain Improvements Not Included** — Such term shall not include any improvement for which the expenditure is attributable to—

I.R.C. § 168(e)(6)(B)(i) — the enlargement of the building,

I.R.C. § 168(e)(6)(B)(ii) — any elevator or escalator, or

I.R.C. § 168(e)(6)(B)(iii) — the internal structural framework of the building.

I.R.C. § 168(e)(6) **Qualified Leasehold Improvement Property** —

Editor's Note: Pub. L. 115-97, Sec. 13204(a)(1)(B) struck Sec. 168(e)(6), below, effective for property placed in service before January 1, 2018.

Internal Revenue Code, § 168. Accelerated Cost Recovery System

For purposes of this subsection—

I.R.C. § 168(e)(6)(A) In General — The term “qualified leasehold improvement property” means any improvement to an interior portion of a building which is nonresidential real property if—

I.R.C. § 168(e)(6)(A)(i) — such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

I.R.C. § 168(e)(6)(A)(i)(I) — by the lessee (or any sublessee) of such portion, or

I.R.C. § 168(e)(6)(A)(i)(II) — by the lessor of such portion,

I.R.C. § 168(e)(6)(A)(ii) — such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

I.R.C. § 168(e)(6)(A)(iii) — such improvement is placed in service more than 3 years after the date the building was first placed in service.

I.R.C. § 168(e)(6)(B) Certain Improvements Not Included — Such term shall not include any improvement for which the expenditure is attributable to—

I.R.C. § 168(e)(6)(B)(i) — the enlargement of the building,

I.R.C. § 168(e)(6)(B)(ii) — any elevator or escalator,

I.R.C. § 168(e)(6)(B)(iii) — any structural component benefitting a common area, or

I.R.C. § 168(e)(6)(B)(iv) — the internal structural framework of the building.

I.R.C. § 168(e)(6)(C) Definitions And Special Rules — For purposes of this paragraph—

I.R.C. § 168(e)(6)(C)(i) Commitment To Lease Treated As Lease — A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

I.R.C. § 168(e)(6)(C)(ii) Related Persons — A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term “related persons” means—

I.R.C. § 168(e)(6)(C)(ii)(I) — (I) members of an affiliated group (as defined in section 1504), and

I.R.C. § 168(e)(6)(C)(ii)(II) — persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase “80 percent or more” shall be substituted for the phrase “more than 50 percent” each place it appears in such subsection.

I.R.C. § 168(e)(6)(D) Improvements Made By Lessor — In the case of an improvement made by the person who was the lessor of such improvement when such improvement was placed in service, such improvement shall be qualified leasehold improvement property (if at all) only so long as such improvement is held by such person.

I.R.C. § 168(e)(6)(E) Exception For Changes In Form Of Business — Property shall not cease to be qualified leasehold improvement property under subparagraph (D) by reason of—

I.R.C. § 168(e)(6)(E)(i) — death,

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I.R.C. § 168(e)(6)(E)(ii) — a transaction to which section 381(a) applies,

I.R.C. § 168(e)(6)(E)(iii) — a mere change in the form of conducting the trade or business so long as the property is retained in such trade or business as qualified leasehold improvement property and the taxpayer retains a substantial interest in such trade or business,

I.R.C. § 168(e)(6)(E)(iv) — the acquisition of such property in an exchange described in section 1031, 1033, or 1038 to the extent that the basis of such property includes an amount representing the adjusted basis of other property owned by the taxpayer or a related person, or

I.R.C. § 168(e)(6)(E)(v) — the acquisition of such property by the taxpayer in a transaction described in section 332, 351, 361, 721, or 731 (or the acquisition of such property by the taxpayer from the transferee or acquiring corporation in a transaction described in such section), to the extent that the basis of the property in the hands of the taxpayer is determined by reference to its basis in the hands of the transferor or distributor.

I.R.C. § 168(e)(7) Qualified Restaurant Property —

Editor's Note: Pub. L. 115-97, Sec. 13204(a)(1)(B), struck par. (7), effective for property placed in service after December 31, 2017.

I.R.C. § 168(e)(7)(A) **In General** — The term "qualified restaurant property" means any section 1250 property which is—

I.R.C. § 168(e)(7)(A)(i) — a building, or

I.R.C. § 168(e)(7)(A)(ii) — an improvement to a building,

if more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.

I.R.C. § 168(e)(7)(B) **Exclusion From Bonus Depreciation** — Property described in this paragraph which is not qualified improvement property shall not be considered qualified property for purposes of subsection (k).

I.R.C. § 168(e)(8) Qualified Retail Improvement Property —

Editor's Note: Pub. L. 115-97, Sec. 13204(a)(1)(B), struck par. (8), effective for property placed in service after December 31, 2017.

I.R.C. § 168(e)(8)(A) **In General** — The term "qualified retail improvement property" means any improvement to an interior portion of a building which is nonresidential real property if—

I.R.C. § 168(e)(8)(A)(i) — such portion is open to the general public and is used in the retail trade or business of

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selling tangible personal property to the general public, and

I.R.C. § 168(e)(8)(A)(ii) — such improvement is placed in service more than 3 years after the date the building was first placed in service.

I.R.C. § 168(e)(8)(B) **Improvements Made By Owner** — In the case of an improvement made by the owner of such improvement, such improvement shall be qualified retail improvement property (if at all) only so long as such improvement is held by such owner. Rules similar to the rules under paragraph (6)(B) shall apply for purposes of the preceding sentence.

I.R.C. § 168(e)(8)(C) **Certain Improvements Not Included** — Such term shall not include any improvement for which the expenditure is attributable to—

I.R.C. § 168(e)(8)(C)(i) — the enlargement of the building,

I.R.C. § 168(e)(8)(C)(ii) — any elevator or escalator,

I.R.C. § 168(e)(8)(C)(iii) — any structural component benefitting a common area, or

I.R.C. § 168(e)(8)(C)(iv) — the internal structural framework of the building.

I.R.C. § 168(f) **Property To Which Section Does Not Apply** — This section shall not apply to—

I.R.C. § 168(f)(1) **Certain Methods Of Depreciation** — Any property if—

I.R.C. § 168(f)(1)(A) — the taxpayer elects to exclude such property from the application of this section, and

I.R.C. § 168(f)(1)(B) — for the 1st taxable year for which a depreciation deduction would be allowable with respect to such property in the hands of the taxpayer, the property is properly depreciated under the unit-of-production method or any method of depreciation not expressed in a term of years (other than the retirement-replacement-betterment method or similar method).

I.R.C. § 168(f)(2) **Certain Public Utility Property** — Any public utility property (within the meaning of subsection (i)(10)) if the taxpayer does not use a normalization method of accounting.

I.R.C. § 168(f)(3) **Films And Video Tape** — Any motion picture film or video tape.

I.R.C. § 168(f)(4) **Sound Recordings** — Any works which result from the fixation of a series of musical, spoken, or other sounds, regardless of the nature of the material (such as discs, tapes, or other phonorecordings) in which such sounds are embodied.

I.R.C. § 168(f)(5) **Certain Property Placed In Service In Churning Transactions**

I.R.C. § 168(f)(5)(A) **In General** — Property—

I.R.C. § 168(f)(5)(A)(i) — described in paragraph (4) of section 168(e) (as in effect before the amendments made by the Tax Reform Act of 1986), or

I.R.C. § 168(f)(5)(A)(ii) — which would be described in such paragraph if such paragraph were applied by substituting "1987" for "1981" and "1986" for "1980" each place such terms appear.

I.R.C. § 168(f)(5)(B) **Subparagraph (A)(ii) Not To Apply** — Clause (ii) of subparagraph (A) shall not apply to—

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I.R.C. § 168(f)(5)(B)(i) — any residential rental property or nonresidential real property,

I.R.C. § 168(f)(5)(B)(ii) — any property if, for the 1st taxable year in which such property is placed in service—

I.R.C. § 168(f)(5)(B)(ii)(I) — the amount allowable as a deduction under this section (as in effect before the date of the enactment of this paragraph) with respect to such property is greater than,

I.R.C. § 168(f)(5)(B)(ii)(II) — the amount allowable as a deduction under this section (as in effect on or after such date and using the half-year convention) for such taxable year, or

I.R.C. § 168(f)(5)(B)(iii) — any property to which this section (as amended by the Tax Reform Act of 1986) applied in the hands of the transferor.

I.R.C. § 168(f)(5)(C) Special Rule — In the case of any property to which this section would apply but for this paragraph, the depreciation deduction under section 167 shall be determined under the provisions of this section as in effect before the amendments made by section 201 of the Tax Reform Act of 1986.

I.R.C. § 168(g) Alternative Depreciation System For Certain Property

I.R.C. § 168(g)(1) In General —

Editor's Note: Sec. 168(g)(1), below, after amendment by Pub. L. 115-97, Secs. 13204(a)(3)(A)(i) and 13205(a), is effective for taxable years beginning after December 31, 2017.

In the case of—

I.R.C. § 168(g)(1)(A) — any tangible property which during the taxable year is used predominantly outside the United States,

I.R.C. § 168(g)(1)(B) — any tax-exempt use property,

I.R.C. § 168(g)(1)(C) — any tax-exempt bond financed property,

I.R.C. § 168(g)(1)(D) — any imported property covered by an Executive order under paragraph (6),

I.R.C. § 168(g)(1)(E) — any property to which an election under paragraph (7) applies,

I.R.C. § 168(g)(1)(F) — any property described in paragraph (8), and

I.R.C. § 168(g)(1)(G) — any property with a recovery period of 10 years or more which is held by an electing farming business (as defined in section 163(j)(7)(C)),

the depreciation deduction provided by section 167(a) shall be determined under the alternative depreciation system.

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I.R.C. § 168(g)(1) In General —

Editor's Note: Sec. 168(g)(1), below, before amendment by Pub. L. 115-97, Secs. 13204(a)(3)(A)(i) and 13205(a), is effective for taxable years beginning before January 1, 2018.

In the case of—

I.R.C. § 168(g)(1)(A) — any tangible property which during the taxable year is used predominantly outside the United States,

I.R.C. § 168(g)(1)(B) — any tax-exempt use property,

I.R.C. § 168(g)(1)(C) — any tax-exempt bond financed property,

I.R.C. § 168(g)(1)(D) — any imported property covered by an Executive order under paragraph (6), and

I.R.C. § 168(g)(1)(E) — any property to which an election under paragraph (7) applies, the depreciation deduction provided by section 167(a) shall be determined under the alternative depreciation system.

I.R.C. § 168(g)(2) **Alternative Depreciation System** — For purposes of paragraph (1), the alternative depreciation system is depreciation determined by using—

I.R.C. § 168(g)(2)(A) — the straight line method (without regard to salvage value),

I.R.C. § 168(g)(2)(B) — the applicable convention determined under subsection (d), and

I.R.C. § 168(g)(2)(C) —

Editor's Note: Sec. 168(g)(2)(C), below, after amendment by Pub. L. 115-97, Sec. 13204(a)(3)(C), is effective for property placed in service after December 31, 2017.

a recovery period determined under the following table:

In the case of:	The recovery period shall be:
(i) Property not described in clause (ii) or (iii).....	The class life.
(ii) Personal property with no class life.....	12 years.
(iii) Residential rental property.....	30 years.
(iv) Nonresidential real property.....	40 years.
(v) Any railroad grading or tunnel bore or water utility property.....	50 years.

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I.R.C. § 168(g)(2)(C) —

Editor's Note: Sec. 168(g)(2)(C), below, before amendment by Pub. L. 115-97, Sec. 13204(a)(3)(C), is effective for property placed in service before January 1, 2018.

a recovery period determined under the following table:

In the case of:	The recovery period shall be:
(i) Property not described in clause (ii) or (iii).....	The class life.
(ii) Personal property with no class life.....	12 years.
(iii) Nonresidential real and residential rental property.....	40 years.
(iv) Any railroad grading or tunnel bore or water utility property.....	50 years.

I.R.C. § 168(g)(3) Special Rules For Determining Class Life

I.R.C. § 168(g)(3)(A) Tax-Exempt Use Property Subject To Lease — In the case of any tax-exempt use property subject to a lease, the recovery period used for purposes of paragraph (2) shall (notwithstanding any other subparagraph of this paragraph) in no event be less than 125 percent of the lease term.

I.R.C. § 168(g)(3)(B) Special Rule For Certain Property Assigned To Classes —

Editor's Note: Sec. 168(g)(3)(B), below, after amendment by Pub. L. 115-97, Sec. 13204(a)(3)(B), is effective for property placed in service after December 31, 2017.

For purposes of paragraph (2), in the case of property described in any of the following subparagraphs of subsection (e)(3), the class life shall be determined as follows:

If property is described in subparagraph:	The class life is:
(A)(iii).....	4
(B)(ii).....	5
(B)(iii).....	9.5
(B)(vii).....	10
(C)(i).....	10
(C)(iii).....	22
(C)(iv).....	14

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(D)(i).....	15
(D)(ii).....	20
(D)(v).....	20
(E)(i).....	24
(E)(ii).....	24
(E)(iii).....	20
(E)(iv).....	20
(E)(v).....	30
(E)(vi).....	35
(F).....	25

I.R.C. § 168(g)(3)(B) Special Rule For Certain Property Assigned To Classes —

Editor's Note: Sec. 168(g)(3)(B), below, before amendment by Pub. L. 115-97, Sec. 13204(a)(3)(B), is effective for property placed in service before January 1, 2018.

For purposes of paragraph (2), in the case of property described in any of the following subparagraphs of subsection (e)(3), the class life shall be determined as follows:

If property is described in subparagraph:	The class life is:
(A)(iii).....	4
(B)(ii).....	5
(B)(iii).....	9.5
(B)(vii).....	10
(C)(i).....	10
(C)(iii).....	22
(C)(iv).....	14
(D)(i).....	15
(D)(ii).....	20
(E)(i).....	24
(E)(ii).....	24
(E)(iii).....	20
(E)(iv).....	39
(E)(v).....	39
(E)(vi).....	20
(E)(vii).....	30
(E)(viii).....	35
(E)(ix).....	39
(F).....	25

I.R.C. § 168(g)(3)(C) Qualified Technological Equipment — In the case of any qualified technological equipment, the recovery period used for purposes of paragraph (2) shall be 5 years.

I.R.C. § 168(g)(3)(D) Automobiles, Etc. — In the case of any automobile or light general purpose truck, the recovery period used for purposes of paragraph (2) shall be 5 years.

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I.R.C. § 168(g)(3)(E) **Certain Real Property** — In the case of any section 1245 property which is real property with no class life, the recovery period used for purposes of paragraph (2) shall be 40 years.

I.R.C. § 168(g)(4) **Exception For Certain Property Used Outside United States** — Subparagraph (A) of paragraph (1) shall not apply to—

I.R.C. § 168(g)(4)(A) — any aircraft which is registered by the Administrator of the Federal Aviation Agency and which is operated to and from the United States or is operated under contract with the United States;

I.R.C. § 168(g)(4)(B) — rolling stock which is used within and without the United States and which is—

I.R.C. § 168(g)(4)(B)(i) — of a rail carrier subject to part A of subtitle IV of title 49, or

I.R.C. § 168(g)(4)(B)(ii) — of a United States person (other than a corporation described in clause (i)) but only if the rolling stock is not leased to one or more foreign persons for periods aggregating more than 12 months in any 24-month period;

I.R.C. § 168(g)(4)(C) — any vessel documented under the laws of the United

States which is operated in the foreign or domestic commerce of the United States;

I.R.C. § 168(g)(4)(D) — any motor vehicle of a United States person (as defined in section 7701(a)(30)) which is operated to and from the United States;

I.R.C. § 168(g)(4)(E) — any container of a United States person which is used in the transportation of property to and from the United States;

I.R.C. § 168(g)(4)(F) — any property (other than a vessel or an aircraft) of a United States person which is used for the purpose of exploring for, developing, removing, or transporting resources from the outer Continental Shelf (within the meaning of section 2 of the Outer Continental Shelf Lands Act, as amended and supplemented; (43 U.S.C. 1331));

I.R.C. § 168(g)(4)(G) — any property which is owned by a domestic corporation or by a United States citizen (other than a citizen entitled to the benefits of section 931 or 933) and which is used predominantly in a possession of the United States by such a corporation or such a citizen, or by a corporation created or organized in, or under the law of, a possession of the United States;

I.R.C. § 168(g)(4)(H) — any communications satellite (as defined in section 103(3) of the Communications Satellite Act of 1962, 47 U.S.C. 702(3)), or any interest therein, of a United States person;

I.R.C. § 168(g)(4)(I) — any cable, or any interest therein, of a domestic corporation engaged in furnishing telephone service to which section 168(i)(10)(C) applies (or of a wholly owned domestic subsidiary of such a corporation), if such cable is part of a submarine cable system which constitutes part of a communication link exclusively between the United States and one or more foreign countries;

I.R.C. § 168(g)(4)(J) — any property (other than a vessel or an aircraft) of a United States person which is used in international or territorial waters within the northern portion of the Western Hemisphere for the purpose of exploring for, developing, removing, or transporting resources from ocean waters or deposits under such waters;

I.R.C. § 168(g)(4)(K) — any property described in section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) which is owned by a United States person and which is used in international or territorial waters to generate energy for use in the United States; and

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I.R.C. § 168(g)(4)(L) — any satellite (not described in subparagraph (H)) or other spacecraft (or any interest therein) held by a United States person if such satellite or other spacecraft was launched from within the United States.

For purposes of subparagraph (J), the term "northern portion of the Western Hemisphere" means the area lying west of the 30th meridian west of Greenwich, east of the international dateline, and north of the Equator, but not including any foreign country which is a country of South America.

I.R.C. § 168(g)(5) Tax-Exempt Bond Financed Property — For purposes of this subsection—

I.R.C. § 168(g)(5)(A) **In General** — Except as otherwise provided in this paragraph, the term "tax-exempt bond financed property" means any property to the extent such property is financed (directly or indirectly) by an obligation the interest on which is exempt from tax under section 103(a).

I.R.C. § 168(g)(5)(B) **Allocation Of Bond Proceeds** — For purposes of subparagraph (A), the proceeds of any obligation shall be treated as used to finance property acquired in connection with the issuance of such obligation in the order in which such property is placed in service.

I.R.C. § 168(g)(5)(C) **Qualified Residential Rental Projects** — The term "tax-exempt bond financed property" shall not include any qualified residential rental project (within the meaning of section 142(a)(7)).

I.R.C. § 168(g)(6) Imported Property

I.R.C. § 168(g)(6)(A) **Countries Maintaining Trade Restrictions Or Engaging In Discriminatory Acts** — If the President determines that a foreign country—

I.R.C. § 168(g)(6)(A)(i) — maintains nontariff trade restrictions, including variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements, or

I.R.C. § 168(g)(6)(A)(ii) — engages in discriminatory or other acts (including tolerance of international cartels) or policies unjustifiably restricting United States commerce,

the President may by Executive order provide for the application of paragraph (1)(D) to any article or class of articles manufactured or produced in such foreign country for such period as may be provided by such Executive order. Any period specified in the preceding sentence shall not apply to any property ordered before (or the construction, reconstruction, or erection of which began before) the date of the Executive order unless the President determines an earlier date to be in the public interest and specifies such date in the Executive order.

I.R.C. § 168(g)(6)(B) **Imported Property** — For purposes of this subsection, the term "imported property" means any property if—

I.R.C. § 168(g)(6)(B)(i) — such property was completed outside the United States, or

I.R.C. § 168(g)(6)(B)(ii) — less than 50 percent of the basis of such property is attributable to value added within the United States.

For purposes of this subparagraph, the term "United States" includes the Commonwealth of Puerto Rico and the possessions of the United States.

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I.R.C. § 168(g)(7) Election To Use Alternative Depreciation System

I.R.C. § 168(g)(7)(A) In General — If the taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, the alternative depreciation system under this subsection shall apply to all property in such class placed in service during such taxable year. Notwithstanding the preceding sentence, in the case of nonresidential real property or residential rental property, such election may be made separately with respect to each property.

I.R.C. § 168(g)(7)(B) Election Irrevocable — An election under subparagraph (A), once made, shall be irrevocable.

I.R.C. § 168(g)(8) Electing Real Property Trade Or Business —

Editor's Note: Pub. L. 115-97, Sec. 13204(a)(3)(A)(ii), added Sec. 168(g)(8), effective for taxable years beginning after December 31, 2017.

The property described in this paragraph shall consist of any nonresidential real property, residential rental property, and qualified improvement property held by an electing real property trade or business (as defined in 163(j)(7)(B)).

I.R.C. § 168(h) Tax-Exempt Use Property

I.R.C. § 168(h)(1) In General — For purposes of this section—

I.R.C. § 168(h)(1)(A) Property Other Than Nonresidential Real Property — Except as otherwise provided in this subsection, the term "tax-exempt use property" means that portion of any tangible property (other than nonresidential real property) leased to a tax-exempt entity.

I.R.C. § 168(h)(1)(B) Nonresidential Real Property

I.R.C. § 168(h)(1)(B)(i) In General — In the case of nonresidential real property, the term "tax-exempt use property" means that portion of the property leased to a tax-exempt entity in a disqualified lease.

I.R.C. § 168(h)(1)(B)(ii) Disqualified Lease — For purposes of this subparagraph, the term "disqualified lease" means any lease of the property to a tax-exempt entity, but only if—

I.R.C. § 168(h)(1)(B)(ii)(I) — part or all of the property was financed (directly or indirectly) by an obligation the interest on which is exempt from tax under section 103(a) and such entity (or a related entity) participated in such financing,

I.R.C. § 168(h)(1)(B)(ii)(II) — under such lease there is a fixed or determinable price purchase or sale option which involves such entity (or a related entity) or there is the equivalent of such an option,

I.R.C. § 168(h)(1)(B)(ii)(III) — such lease has a lease term in excess of 20 years, or

I.R.C. § 168(h)(1)(B)(ii)(IV) — such lease occurs after a sale (or other transfer) of the property by, or lease of the property from, such entity (or a related entity) and such property has been used by such entity (or a related entity) before such sale (or other transfer) or lease.

I.R.C. § 168(h)(1)(B)(iii) 35-Percent Threshold Test — Clause (i) shall apply to any property only if the portion of such property leased to tax-exempt entities in disqualified leases is more than 35 percent of the property.

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I.R.C. § 168(h)(1)(B)(iv) Treatment Of Improvements — For purposes of this subparagraph, improvements to a property (other than land) shall not be treated as a separate property.

I.R.C. § 168(h)(1)(B)(v) Leasebacks During 1st 3 Months Of Use Not Taken Into Account — Subclause (IV) of clause (ii) shall not apply to any property which is leased within 3 months after the date such property is first used by the tax-exempt entity (or a related entity).

I.R.C. § 168(h)(1)(C) Exception For Short-Term Leases

I.R.C. § 168(h)(1)(C)(i) In General — Property shall not be treated as tax-exempt use property merely by reason of a short-term lease.

I.R.C. § 168(h)(1)(C)(ii) Short-Term Lease — For purposes of clause (i), the term “short-term lease” means any lease the term of which is—

I.R.C. § 168(h)(1)(C)(ii)(I) — less than 3 years, and

I.R.C. § 168(h)(1)(C)(ii)(II) — less than the greater of 1 year or 30 percent of the property's present class life.

In the case of nonresidential real property and property with no present class life, subclause (II) shall not apply.

I.R.C. § 168(h)(1)(D) Exception Where Property Used In Unrelated Trade Or Business — The term “tax-exempt use property” shall not include any portion of a property if such portion is predominantly used by the tax-exempt entity (directly or through a partnership of which such entity is a partner) in an unrelated trade or business the income of which is subject to tax under section 511. For purposes of subparagraph (B)(iii), any portion of a property so used shall not be treated as leased to a tax-exempt entity in a disqualified lease.

I.R.C. § 168(h)(1)(E) Nonresidential Real Property Defined — For purposes of this paragraph, the term “nonresidential real property” includes residential rental property.

I.R.C. § 168(h)(2) Tax-Exempt Entity

I.R.C. § 168(h)(2)(A) In General — For purposes of this subsection, the term “tax-exempt entity” means—

I.R.C. § 168(h)(2)(A)(i) — the United States, any State or political subdivision thereof, any possession of the United States, or any agency or instrumentality of any of the foregoing,

I.R.C. § 168(h)(2)(A)(ii) — an organization (other than a cooperative described in section 521) which is exempt from tax imposed by this chapter,

I.R.C. § 168(h)(2)(A)(iii) — any foreign person or entity, and

I.R.C. § 168(h)(2)(A)(iv) — any Indian tribal government described in section 7701(a)(40).

For purposes of applying this subsection, any Indian tribal government referred to in clause (iv) shall be treated in the same manner as a State.

I.R.C. § 168(h)(2)(B) Exception For Certain Property Subject To United States Tax And Used By Foreign Person Or Entity

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— Clause (iii) of subparagraph (A) shall not apply with respect to any property if more than 50 percent of the gross income for the taxable year derived by the foreign person or entity from the use of such property is—

I.R.C. § 168(h)(2)(B)(i) — subject to tax under this chapter, or

I.R.C. § 168(h)(2)(B)(ii) — included under section 951 in the gross income of a United States shareholder for the taxable year with or within which ends the taxable year of the controlled foreign corporation in which such income was derived.

For purposes of the preceding sentence, any exclusion or exemption shall not apply for purposes of determining the amount of the gross income so derived, but shall apply for purposes of determining the portion of such gross income subject to tax under this chapter.

I.R.C. § 168(h)(2)(C) Foreign Person Or Entity — For purposes of this paragraph, the term “foreign person or entity” means—

I.R.C. § 168(h)(2)(C)(i) — any foreign government, any international organization, or any agency or instrumentality of any of the foregoing, and

I.R.C. § 168(h)(2)(C)(ii) — any person who is not a United States person.

Such term does not include any foreign partnership or other foreign pass-thru entity.

I.R.C. § 168(h)(2)(D) Treatment Of Certain Taxable Instrumentalities — For purposes of this subsection, a corporation shall not be treated as an instrumentality of the United States or of any State or political subdivision thereof if—

I.R.C. § 168(h)(2)(D)(i) — all of the activities of such corporation are subject to tax under this chapter, and

I.R.C. § 168(h)(2)(D)(ii) — a majority of the board of directors of such corporation is not selected by the United States or any State or political subdivision thereof.

I.R.C. § 168(h)(2)(E) Certain Previously Tax-Exempt Organizations

I.R.C. § 168(h)(2)(E)(i) In General — For purposes of this subsection, an organization shall be treated as an organization described in subparagraph (A)(ii) with respect to any property (other than property held by such organization) if such organization was an organization (other than a cooperative described in section 521) exempt from tax imposed by this chapter at any time during the 5-year period ending on the date such property was first used by such organization. The preceding sentence and subparagraph (D)(ii) shall not apply to the Federal Home Loan Mortgage Corporation.

I.R.C. § 168(h)(2)(E)(ii) Election Not To Have Clause (i) Apply

I.R.C. § 168(h)(2)(E)(ii)(I) In General — In the case of an organization formerly exempt from tax under section 501(a) as an organization described in section 501(c)(12), clause (i) shall not apply to such organization with respect to any property if such organization elects not to be exempt from tax under section 501(a) during the tax-exempt use period with respect to such property.

I.R.C. § 168(h)(2)(E)(ii)(II) Tax-Exempt Use Period — For purposes of subclause (I), the term “tax-exempt use period” means the period beginning with the taxable year in which the property described in subclause (I) is first used by the organization and ending with the close of the 15th taxable year following the last taxable year of the applicable recovery period of such property.

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I.R.C. § 168(h)(2)(E)(ii)(III) Election — Any election under subclause (I), once made, shall be irrevocable.

I.R.C. § 168(h)(2)(E)(iii) Treatment Of Successor Organizations — Any organization which is engaged in activities substantially similar to those engaged in by a predecessor organization shall succeed to the treatment under this subparagraph of such predecessor organization.

I.R.C. § 168(h)(2)(E)(iv) First Used — For purposes of this subparagraph, property shall be treated as first used by the organization—

I.R.C. § 168(h)(2)(E)(iv)(I) — when the property is first placed in service under a lease to such organization, or

I.R.C. § 168(h)(2)(E)(iv)(II) — in the case of property leased to (or held by) a partnership (or other pass-thru entity) in which the organization is a member, the later of when such property is first used by such partnership or pass-thru entity or when such organization is first a member of such partnership or pass-thru entity.

I.R.C. § 168(h)(3) Special Rules For Certain High Technology Equipment

I.R.C. § 168(h)(3)(A) Exemption Where Lease Term Is 5 Years Or Less — For purposes of this section, the term "tax-exempt use property" shall not include any qualified technological equipment if the lease to the tax-exempt entity has a lease term of 5 years or less. Notwithstanding subsection (i)(3)(A)(i), in determining a lease term for purposes of the preceding sentence, there shall not be taken into account any option of the lessee to renew at the fair market value rent determined at the time of renewal; except that the aggregate period not taken into account by reason of this sentence shall not exceed 24 months.

I.R.C. § 168(h)(3)(B) Exception For Certain Property

I.R.C. § 168(h)(3)(B)(i) In General — For purposes of subparagraph (A), the term "qualified technological equipment" shall not include any property leased to a tax-exempt entity if—

I.R.C. § 168(h)(3)(B)(i)(I) — part or all of the property was financed (directly or indirectly) by an obligation the interest on which is exempt from tax under section 103(a),

I.R.C. § 168(h)(3)(B)(i)(II) — such lease occurs after a sale (or other transfer) of the property by, or lease of such property from, such entity (or related entity) and such property has been used by such entity (or a related entity) before such sale (or other transfer) or lease, or

I.R.C. § 168(h)(3)(B)(i)(III) — such tax-exempt entity is the United States or any agency or instrumentality of the United States.

I.R.C. § 168(h)(3)(B)(ii) Leasebacks During 1st 3 Months Of Use Not Taken Into Account — Subclause (II) of clause (i) shall not apply to any property which is leased within 3 months after the date such property is first used by the tax-exempt entity (or a related entity).

I.R.C. § 168(h)(4) Related Entities — For purposes of this subsection—

I.R.C. § 168(h)(4)(A)

I.R.C. § 168(h)(4)(A)(i) — Each governmental unit and each agency or instrumentality of a governmental unit is related to each other such unit, agency, or instrumentality which directly or indirectly derives its powers, rights, and duties in whole or in part from the same sovereign authority.

I.R.C. § 168(h)(4)(A)(ii) — For purposes of clause (i), the United States, each State, and each possession of the United States shall be treated as a separate sovereign authority.

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I.R.C. § 168(h)(4)(B) — Any entity not described in subparagraph (A)(i) is related to any other entity if the 2 entities have—

I.R.C. § 168(h)(4)(B)(i) — significant common purposes and substantial common membership, or

I.R.C. § 168(h)(4)(B)(ii) — directly or indirectly substantial common direction or control.

I.R.C. § 168(h)(4)(C)

I.R.C. § 168(h)(4)(C)(i) — An entity is related to another entity if either entity owns (directly or through 1 or more entities) a 50 percent or greater interest in the capital or profits of the other entity.

I.R.C. § 168(h)(4)(C)(ii) — For purposes of clause (i), entities treated as related under subparagraph (A) or (B) shall be treated as 1 entity.

I.R.C. § 168(h)(4)(D) — An entity is related to another entity with respect to a transaction if such transaction is part of an attempt by such entities to avoid the application of this subsection.

I.R.C. § 168(h)(5) **Tax-Exempt Use Of Property Leased To Partnerships, Etc., Determined At Partner Level** — For purposes of this subsection—

I.R.C. § 168(h)(5)(A) **In General** — In the case of any property which is leased to a partnership, the determination of whether any portion of such property is tax-exempt use property shall be made by treating each tax-exempt entity partner's proportionate share (determined under paragraph (6)(C)) of such property as being leased to such partner.

I.R.C. § 168(h)(5)(B) **Other Pass-Thru Entities; Tiered Entities** — Rules similar to the rules of subparagraph (A) shall also apply in the case of any pass-thru entity other than a partnership and in the case of tiered partnerships and other entities.

I.R.C. § 168(h)(5)(C) **Presumption With Respect To Foreign Entities** — Unless it is otherwise established to the satisfaction of the Secretary, it shall be presumed that the partners of a foreign partnership (and the beneficiaries of any other foreign pass-thru entity) are persons who are not United States persons.

I.R.C. § 168(h)(6) **Treatment Of Property Owned By Partnerships, Etc.**

I.R.C. § 168(h)(6)(A) **In General** — For purposes of this subsection, if—

I.R.C. § 168(h)(6)(A)(i) — any property which (but for this subparagraph) is not tax-exempt use property is owned by a partnership which has both a tax-exempt entity and a person who is not a tax-exempt entity as partners, and

I.R.C. § 168(h)(6)(A)(ii) — any allocation to the tax-exempt entity of partnership items is not a qualified allocation, an amount equal to such tax-exempt entity's proportionate share of such property shall (except as provided in paragraph (1)(D)) be treated as tax-exempt use property.

I.R.C. § 168(h)(6)(B) **Qualified Allocation** — For purposes of subparagraph (A), the term "qualified allocation" means any allocation to a tax-exempt entity which—

I.R.C. § 168(h)(6)(B)(i) — is consistent with such entity's being allocated the same distributive share of each item of income, gain, loss, deduction, credit, and basis and such share remains the same during the entire period the entity is a partner in the partnership, and

I.R.C. § 168(h)(6)(B)(ii) — has substantial economic effect within the meaning of section 704(b)(2).

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For purposes of this subparagraph, items allocated under section 704(c) shall not be taken into account.

I.R.C. § 168(h)(6)(C) Determination Of Proportionate Share

I.R.C. § 168(h)(6)(C)(i) In General — For purposes of subparagraph (A), a tax-exempt entity's proportionate share of any property owned by a partnership shall be determined on the basis of such entity's share of partnership items of income or gain (excluding gain allocated under section 704(c)), whichever results in the largest proportionate share.

I.R.C. § 168(h)(6)(C)(ii) Determination Where Allocations Vary — For purposes of clause (i), if a tax-exempt entity's share of partnership items of income or gain (excluding gain allocated under section 704(c)) may vary during the period such entity is a partner in the partnership, such share shall be the highest share such entity may receive.

I.R.C. § 168(h)(6)(D) Determination Of Whether Property Used In Unrelated Trade Or Business — For purposes of this subsection, in the case of any property which is owned by a partnership which has both a tax-exempt entity and a person who is not a tax-exempt entity as partners, the determination of whether such property is used in an unrelated trade or business of such an entity shall be made without regard to section 514.

I.R.C. § 168(h)(6)(E) Other Pass-Thru Entities; Tiered Entities — Rules similar to the rules of subparagraphs (A), (B), (C), and (D) shall also apply in the case of any pass-thru entity other than a partnership and in the case of tiered partnerships and other entities.

I.R.C. § 168(h)(6)(F) Treatment Of Certain Taxable Entities

I.R.C. § 168(h)(6)(F)(i) In General — For purposes of this paragraph and paragraph (5), except as otherwise provided in this subparagraph, any tax-exempt controlled entity shall be treated as a tax-exempt entity.

I.R.C. § 168(h)(6)(F)(ii) Election — If a tax-exempt controlled entity makes an election under this clause—

I.R.C. § 168(h)(6)(F)(ii)(I) — such entity shall not be treated as a tax-exempt entity for purposes of this paragraph and paragraph (5), and

I.R.C. § 168(h)(6)(F)(ii)(II) — any gain recognized by a tax-exempt entity on any disposition of an interest in such entity (and any dividend or interest received or accrued by a tax-exempt entity from such tax-exempt controlled entity) shall be treated as unrelated business taxable income for purposes of section 511.

Any such election shall be irrevocable and shall bind all tax-exempt entities holding interests in such tax-exempt controlled entity. For purposes of subclause (II), there shall only be taken into account dividends which are property allocable to income of the tax-exempt controlled entity which was not subject to tax under this chapter.

I.R.C. § 168(h)(6)(F)(iii) Tax-Exempt Controlled Entity

I.R.C. § 168(h)(6)(F)(iii)(I) In General — The term "tax-exempt controlled entity" means any corporation (which is not a tax-exempt entity determined without regard to this subparagraph and paragraph (2)(E)) if 50 percent or more (in value) of the stock in such corporation is held by 1 or more tax-exempt entities (other than a foreign person or entity).

I.R.C. § 168(h)(6)(F)(iii)(II) Only 5-Percent Shareholders Taken Into Account In Case Of Publicly Traded Stock — For purposes of subclause (I), in the case of a corporation the stock of which is publicly traded on an established securities market, stock held by a tax-exempt entity shall not be taken into account unless such entity holds at least 5 percent (in value) of the stock in such corporation. For purposes of this subclause, related entities (within the meaning of paragraph (4)) shall be treated as 1 entity.

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I.R.C. § 168(h)(6)(F)(iii)(III) **Section 318 To Apply** — For purposes of this clause, a tax-exempt entity shall be treated as holding stock which it holds through application of section 318 (determined without regard to the 50-percent limitation contained in subsection (a)(2)(C) thereof).

I.R.C. § 168(h)(6)(G) **Regulations** — For purposes of determining whether there is a qualified allocation under subparagraph (B), the regulations prescribed under paragraph (8) for purposes of this paragraph—

I.R.C. § 168(h)(6)(G)(i) — shall set forth the proper treatment for partnership guaranteed payments, and

I.R.C. § 168(h)(6)(G)(ii) — may provide for the exclusion or segregation of items.

I.R.C. § 168(h)(7) **Lease** — For purposes of this subsection, the term "lease" includes any grant of a right to use property.

I.R.C. § 168(h)(8) **Regulations** — The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection.

I.R.C. § 168(i) **Definitions And Special Rules** — For purposes of this section—

I.R.C. § 168(i)(1) **Class Life** — Except as provided in this section, the term "class life" means the class life (if any) which would be applicable with respect to any property as of January 1, 1986, under subsection (m) of section 167 (determined without regard to paragraph (4) and as if the taxpayer had made an election under such subsection). The Secretary, through an office established in the Treasury, shall monitor and analyze actual experience with respect to all depreciable assets. The reference in this paragraph to subsection (m) of section 167 shall be treated as a reference to such subsection as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990.

I.R.C. § 168(i)(2) **Qualified Technological Equipment**

I.R.C. § 168(i)(2)(A) **In General** — The term "qualified technological equipment" means—

I.R.C. § 168(i)(2)(A)(i) — any computer or peripheral equipment,

I.R.C. § 168(i)(2)(A)(ii) — any high technology telephone station equipment installed on the customer's premises, and

I.R.C. § 168(i)(2)(A)(iii) — any high technology medical equipment.

I.R.C. § 168(i)(2)(B) **Computer Or Peripheral Equipment Defined** — For purposes of this paragraph—

I.R.C. § 168(i)(2)(B)(i) **In General** — The term "computer or peripheral equipment" means—

I.R.C. § 168(i)(2)(B)(i)(I) — any computer, and

I.R.C. § 168(i)(2)(B)(i)(II) — any related peripheral equipment.

I.R.C. § 168(i)(2)(B)(ii) **Computer** — The term "computer" means a programmable electronically activated device which—

I.R.C. § 168(i)(2)(B)(ii)(I) — is capable of accepting information, applying prescribed processes to the information, and supplying the results of these processes with or without human intervention, and

I.R.C. § 168(i)(2)(B)(ii)(II) — consists of a central processing unit containing extensive storage, logic, arithmetic, and control capabilities.

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I.R.C. § 168(i)(2)(B)(iii) Related Peripheral Equipment — The term "related peripheral equipment" means any auxiliary machine (whether on-line or off-line) which is designed to be placed under the control of the central processing unit of a computer.

I.R.C. § 168(i)(2)(B)(iv) Exceptions — The term "computer or peripheral equipment" shall not include—

I.R.C. § 168(i)(2)(B)(iv)(I) — any equipment which is an integral part of other property which is not a computer,

I.R.C. § 168(i)(2)(B)(iv)(II) — typewriters, calculators, adding and accounting machines, copiers, duplicating equipment, and similar equipment, and

I.R.C. § 168(i)(2)(B)(iv)(III) — equipment of a kind used primarily for amusement or entertainment of the user.

I.R.C. § 168(i)(2)(C) High Technology Medical Equipment — For purposes of this paragraph, the term "high technology medical equipment" means any electronic, electromechanical, or computer-based high technology equipment used in the screening, monitoring, observation, diagnosis, or treatment of patients in a laboratory, medical, or hospital environment.

I.R.C. § 168(i)(3) Lease Term

I.R.C. § 168(i)(3)(A) In General — In determining a lease term—

I.R.C. § 168(i)(3)(A)(i) — there shall be taken into account options to renew,

I.R.C. § 168(i)(3)(A)(ii) — the term of a lease shall include the term of any service contract or similar arrangement (whether or not treated as a lease under section 7701(e))—

I.R.C. § 168(i)(3)(A)(ii)(I) — which is part of the same transaction (or series of related transactions) which includes the lease, and

I.R.C. § 168(i)(3)(A)(ii)(II) — which is with respect to the property subject to the lease or substantially similar property, and

I.R.C. § 168(i)(3)(A)(iii) — 2 or more successive leases which are part of the same transaction (or a series of related transactions) with respect to the same or substantially similar property shall be treated as 1 lease.

I.R.C. § 168(i)(3)(B) Special Rule For Fair Rental Options On Nonresidential Real Property Or Residential Rental Property — For purposes of clause (i) of subparagraph (A), in the case of nonresidential real property or residential rental property, there shall not be taken into account any option to renew at fair market value, determined at the time of renewal.

I.R.C. § 168(i)(4) General Asset Accounts — Under regulations, a taxpayer may maintain 1 or more general asset accounts for any property to which this section applies. Except as provided in regulations, all proceeds realized on any disposition of property in a general asset account shall be included in income as ordinary income.

I.R.C. § 168(i)(5) Changes In Use — The Secretary shall, by regulations, provide for the method of determining the deduction allowable under section 167(a) with respect to any tangible property for any taxable year (and the succeeding taxable years) during which such property changes status under this section but continues to be held by the same person.

I.R.C. § 168(i)(6) Treatments Of Additions Or Improvements To Property — In the case of any addition to (or improvement of) any property—

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I.R.C. § 168(i)(6)(A) — any deduction under subsection (a) for such addition or improvement shall be computed in the same manner as the deduction for such property would be computed if such property had been placed in service at the same time as such addition or improvement, and

I.R.C. § 168(i)(6)(B) — the applicable recovery period for such addition or improvement shall begin on the later of—

I.R.C. § 168(i)(6)(B)(i) — the date on which such addition (or improvement) is placed in service, or

I.R.C. § 168(i)(6)(B)(ii) — the date on which the property with respect to which such addition (or improvement) was made is placed in service.

I.R.C. § 168(i)(7) Treatment Of Certain Transferees

I.R.C. § 168(i)(7)(A) **In General** — In the case of any property transferred in a transaction described in subparagraph (B), the transferee shall be treated as the transferor for purposes of computing the depreciation deduction determined under this section with respect to so much of the basis in the hands of the transferee as does not exceed the adjusted basis in the hands of the transferor. In any case where this section as in effect before the amendments made by section 201 of the Tax Reform Act of 1986 applied to the property in the hands of the transferor, the reference in the preceding sentence to this section shall be treated as a reference to this section as so in effect.

I.R.C. § 168(i)(7)(B) Transactions Covered —

Editor's Note: Sec. 168(i)(7)(B), below, after amendment by Pub. L. 115-97, Sec. 13504(b)(1), is effective for partnership taxable years beginning after December 31, 2017.

The transactions described in this subparagraph are—

I.R.C. § 168(i)(7)(B)(i) — any transaction described in section 332, 351, 361, 721, or 731, and

I.R.C. § 168(i)(7)(B)(ii) — any transaction between members of the same affiliated group during any taxable year for which a consolidated return is made by such group.

I.R.C. § 168(i)(7)(B) Transactions Covered —

Editor's Note: Sec. 168(i)(7)(B), below, before amendment by Pub. L. 115-97, Sec. 13504(b)(1), is effective for partnership taxable years beginning before January 1, 2018.

The transactions described in this subparagraph are—

I.R.C. § 168(i)(7)(B)(i) — any transaction described in section 332, 351, 361, 721, or 731, and

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I.R.C. § 168(i)(7)(B)(ii) — any transaction between members of the same affiliated group during any taxable year for which a consolidated return is made by such group.

Subparagraph (A) shall not apply in the case of a termination of a partnership under section 708(b)(1)(B).

I.R.C. § 168(i)(7)(C) **Property Reacquired By The Taxpayer** — Under regulations, property which is disposed of and then reacquired by the taxpayer shall be treated for purposes of computing the deduction allowable under subsection (a) as if such property had not been disposed of.

I.R.C. § 168(i)(7)(D) — [Repealed]

I.R.C. § 168(i)(8) Treatment Of Leasehold Improvements

I.R.C. § 168(i)(8)(A) **In General** — In the case of any building erected (or improvements made) on leased property, if such building or improvement is property to which this section applies, the depreciation deduction shall be determined under the provisions of this section.

I.R.C. § 168(i)(8)(B) **Treatment Of Lessor Improvements Which Are Abandoned At Termination Of Lease** — An improvement—

I.R.C. § 168(i)(8)(B)(i) — which is made by the lessor of leased property for the lessee of such property, and

I.R.C. § 168(i)(8)(B)(ii) — which is irrevocably disposed of or abandoned by the lessor at the termination of the lease by such lessee,

shall be treated for purposes of determining gain or loss under this title as disposed of by the lessor when so disposed of or abandoned.

I.R.C. § 168(i)(8)(C) **Cross Reference** — For treatment of qualified long-term real property constructed or improved in connection with cash or rent reduction from lessor to lessee, see section 110(b).

I.R.C. § 168(i)(9) Normalization Rules

I.R.C. § 168(i)(9)(A) **In General** — In order to use a normalization method of accounting with respect to any public utility property for purposes of subsection (f)(2)—

I.R.C. § 168(i)(9)(A)(i) — the taxpayer must, in computing its tax expense for purposes of establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, use a method of depreciation with respect to such property that is the same as, and a depreciation period for such property that is no shorter than, the method and period used to compute its depreciation expense for such purposes; and

I.R.C. § 168(i)(9)(A)(ii) — if the amount allowable as a deduction under this section with respect to such property (respecting all elections made by the taxpayer under this section) differs from the amount that would be allowable as a deduction under section 167 using the method (including the period, first and last year convention, and salvage value) used to compute regulated tax expense under clause (i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

I.R.C. § 168(i)(9)(B) **Use Of Inconsistent Estimates And Projections, Etc.**

I.R.C. § 168(i)(9)(B)(i) **In General** — One way in which the requirements of subparagraph (A) are not met is if the

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taxpayer, for ratemaking purposes, uses a procedure or adjustment which is inconsistent with the requirements of subparagraph (A).

I.R.C. § 168(i)(9)(B)(ii) Use Of Inconsistent Estimates And Projections — The procedures and adjustments which are to be treated as inconsistent for purposes of clause (i) shall include any procedure or adjustment for ratemaking purposes which uses an estimate or projection of the taxpayer's tax expense, depreciation expense, or reserve for deferred taxes under subparagraph (A)(ii) unless such estimate or projection is also used, for ratemaking purposes, with respect to the other 2 such items and with respect to the rate base.

I.R.C. § 168(i)(9)(B)(iii) Regulatory Authority — The Secretary may by regulations prescribe procedures and adjustments (in addition to those specified in clause (ii)) which are to be treated as inconsistent for purposes of clause (i).

I.R.C. § 168(i)(9)(C) Public Utility Property Which Does Not Meet Normalization Rules — In the case of any public utility property to which this section does not apply by reason of subsection (f)(2), the allowance for depreciation under section 167(a) shall be an amount computed using the method and period referred to in subparagraph (A)(i).

I.R.C. § 168(i)(10) Public Utility Property — The term "public utility property" means property used predominantly in the trade or business of the furnishing or sale of—

I.R.C. § 168(i)(10)(A) — electrical energy, water, or sewage disposal services,

I.R.C. § 168(i)(10)(B) — gas or steam through a local distribution system,

I.R.C. § 168(i)(10)(C) — telephone services, or other communication services if furnished or sold by the Communications Satellite Corporation for purposes authorized by the Communications Satellite Act of 1962 (47 U.S.C. 701), or

I.R.C. § 168(i)(10)(D) — transportation of gas or steam by pipeline,

if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, or by a public service or public utility commission or other similar body of any State or political subdivision thereof.

I.R.C. § 168(i)(11) Research And Experimentation — The term "research and experimentation" has the same meaning as the term research and experimental has under section 174.

I.R.C. § 168(i)(12) Section 1245 And 1250 Property — The terms "section 1245 property" and "section 1250 property" have the meanings given such terms by sections 1245(a)(3) and 1250(c), respectively.

I.R.C. § 168(i)(13) Single Purpose Agricultural Or Horticultural Structure

I.R.C. § 168(i)(13)(A) In General — The term "single purpose agricultural or horticultural structure" means—

I.R.C. § 168(i)(13)(A)(i) — a single purpose livestock structure, and

I.R.C. § 168(i)(13)(A)(ii) — a single purpose horticultural structure.

I.R.C. § 168(i)(13)(B) Definitions — For purposes of this paragraph—

I.R.C. § 168(i)(13)(B)(i) Single Purpose Livestock Structure — The term "single purpose livestock structure" means

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any enclosure or structure specifically designed, constructed, and used—

I.R.C. § 168(i)(13)(B)(i)(I) — for housing, raising, and feeding a particular type of livestock and their produce, and

I.R.C. § 168(i)(13)(B)(i)(II) — for housing the equipment (including any replacements) necessary for the housing, raising, and feeding referred to in subclause (I).

I.R.C. § 168(i)(13)(B)(ii) **Single Purpose Horticultural Structure** — The term “single purpose horticultural structure” means—

I.R.C. § 168(i)(13)(B)(ii)(I) — a greenhouse specifically designed, constructed, and used for the commercial production of plants, and

I.R.C. § 168(i)(13)(B)(ii)(II) — a structure specifically designed, constructed, and used for the commercial production of mushrooms.

I.R.C. § 168(i)(13)(B)(iii) **Structures Which Include Work Space** — An enclosure or structure which provides work space shall be treated as a single purpose agricultural or horticultural structure only if such work space is solely for—

I.R.C. § 168(i)(13)(B)(iii)(I) — the stocking, caring for, or collecting of livestock or plants (as the case may be) or their produce,

I.R.C. § 168(i)(13)(B)(iii)(II) — the maintenance of the enclosure or structure, and

I.R.C. § 168(i)(13)(B)(iii)(III) — the maintenance or replacement of the equipment or stock enclosed or housed therein.

I.R.C. § 168(i)(13)(B)(iv) **Livestock** — The term “livestock” includes poultry.

I.R.C. § 168(i)(14) Qualified Rent-To-Own Property

I.R.C. § 168(i)(14)(A) **In General** — The term “qualified rent-to-own property” means property held by a rent-to-own dealer for purposes of being subject to a rent-to-own contract.

I.R.C. § 168(i)(14)(B) **Rent-To-Own Dealer** — The term “rent-to-own dealer” means a person that, in the ordinary course of business, regularly enters into rent-to-own contracts with customers for the use of consumer property, if a substantial portion of those contracts terminate and the property is returned to such person before the receipt of all payments required to transfer ownership of the property from such person to the customer.

I.R.C. § 168(i)(14)(C) **Consumer Property** — The term “consumer property” means tangible personal property of a type generally used within the home for personal use.

I.R.C. § 168(i)(14)(D) **Rent-To-Own Contract** — The term “rent-to-own contract” means any lease for the use of consumer property between a rent-to-own dealer and a customer who is an individual which—

I.R.C. § 168(i)(14)(D)(i) — is titled “Rent-to-Own Agreement” or “Lease Agreement with Ownership Option,” or uses other similar language,

I.R.C. § 168(i)(14)(D)(ii) — provides for level (or decreasing where no payment is less than 40 percent of the largest payment), regular periodic payments (for a payment period which is a week or month),

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I.R.C. § 168(i)(14)(D)(iii) — provides that legal title to such property remains with the rent-to-own dealer until the customer makes all the payments described in clause (ii) or early purchase payments required under the contract to acquire legal title to the item of property,

I.R.C. § 168(i)(14)(D)(iv) — provides a beginning date and a maximum period of time for which the contract may be in effect that does not exceed 156 weeks or 36 months from such beginning date (including renewals or options to extend),

I.R.C. § 168(i)(14)(D)(v) — provides for payments within the 156-week or 36-month period that, in the aggregate, generally exceed the normal retail price of the consumer property plus interest,

I.R.C. § 168(i)(14)(D)(vi) — provides for payments under the contract that, in the aggregate, do not exceed \$10,000 per item of consumer property,

I.R.C. § 168(i)(14)(D)(vii) — provides that the customer does not have any legal obligation to make all the payments referred to in clause (ii) set forth under the contract, and that at the end of each payment period the customer may either continue to use the consumer property by making the payment for the next payment period or return such property to the rent-to-own dealer in good working order, in which case the customer does not incur any further obligations under the contract and is not entitled to a return of any payments previously made under the contract, and

I.R.C. § 168(i)(14)(D)(viii) — provides that the customer has no right to sell, sublease, mortgage, pawn, pledge, encumber, or otherwise dispose of the consumer property until all the payments stated in the contract have been made.

I.R.C. § 168(i)(15) Motorsports Entertainment Complex

I.R.C. § 168(i)(15)(A) In General — The term "motorsports entertainment complex" means a racing track facility which—

I.R.C. § 168(i)(15)(A)(i) — is permanently situated on land, and

I.R.C. § 168(i)(15)(A)(ii) — during the 36-month period following the first day of the month in which the asset is placed in service, hosts 1 or more racing events for automobiles (of any type), trucks, or motorcycles which are open to the public for the price of admission.

I.R.C. § 168(i)(15)(B) Ancillary And Support Facilities — Such term shall include, if owned by the taxpayer who owns the complex and provided for the benefit of patrons of the complex—

I.R.C. § 168(i)(15)(B)(i) — ancillary facilities and land improvements in support of the complex's activities (including parking lots, sidewalks, waterways, bridges, fences, and landscaping),

I.R.C. § 168(i)(15)(B)(ii) — support facilities (including food and beverage retailing, souvenir vending, and other nonlodging accommodations), and

I.R.C. § 168(i)(15)(B)(iii) — appurtenances associated with such facilities and related attractions and amusements (including ticket booths, race track surfaces, suites and hospitality facilities, grandstands and viewing structures, props, walls, facilities that support the delivery of entertainment services, other special purpose structures, facades, shop interiors, and buildings).

I.R.C. § 168(i)(15)(C) Exception — Such term shall not include any transportation equipment, administrative services assets, warehouses, administrative buildings, hotels, or motels.

I.R.C. § 168(i)(15)(D) Termination — Such term shall not include any property placed in service after December 31, 2017.

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I.R.C. § 168(i)(16) Alaska Natural Gas Pipeline — The term "Alaska natural gas pipeline" means the natural gas pipeline system located in the State of Alaska which—

I.R.C. § 168(i)(16)(A) — has a capacity of more than 500,000,000,000 Btu of natural gas per day, and

I.R.C. § 168(i)(16)(B) — is—

I.R.C. § 168(i)(16)(B)(i) — placed in service after December 31, 2013, or

I.R.C. § 168(i)(16)(B)(ii) — treated as placed in service on January 1, 2014, if the taxpayer who places such system in service before January 1, 2014, elects such treatment.

Such term includes the pipe, trunk lines, related equipment, and appurtenances used to carry natural gas, but does not include any gas processing plant.

I.R.C. § 168(i)(17) Natural Gas Gathering Line — The term "natural gas gathering line" means—

I.R.C. § 168(i)(17)(A) — the pipe, equipment, and appurtenances determined to be a gathering line by the Federal Energy Regulatory Commission, and

I.R.C. § 168(i)(17)(B) — the pipe, equipment, and appurtenances used to deliver natural gas from the wellhead or a commonpoint to the point at which such gas first reaches—

I.R.C. § 168(i)(17)(B)(i) — a gas processing plant,

I.R.C. § 168(i)(17)(B)(ii) — an interconnection with a transmission pipeline for which a certificate as an interstate transmission pipeline has been issued by the Federal Energy Regulatory Commission,

I.R.C. § 168(i)(17)(B)(iii) — an interconnection with an intrastate transmission pipeline, or

I.R.C. § 168(i)(17)(B)(iv) — a direct interconnection with a local distribution company, a gas storage facility, or an industrial consumer.

I.R.C. § 168(i)(18) Qualified Smart Electric Meters

I.R.C. § 168(i)(18)(A) In General — The term "qualified smart electric meter" means any smart electric meter which—

I.R.C. § 168(i)(18)(A)(i) — is placed in service by a taxpayer who is a supplier of electric energy or a provider of electric energy services, and

I.R.C. § 168(i)(18)(A)(ii) — does not have a class life (determined without regard to subsection (e)) of less than 16 years.

I.R.C. § 168(i)(18)(B) Smart Electric Meter — For purposes of subparagraph (A), the term "smart electric meter" means any time-based meter and related communication equipment which is capable of being used by the taxpayer as part of a system that—

I.R.C. § 168(i)(18)(B)(i) — measures and records electricity usage data on a time-differentiated basis in at least 24 separate time segments per day,

I.R.C. § 168(i)(18)(B)(ii) — provides for the exchange of information between supplier or provider and the customer's

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electric meter in support of time-based rates or other forms of demand response,

I.R.C. § 168(i)(18)(B)(iii) — provides data to such supplier or provider so that the supplier or provider can provide energy usage information to customers electronically, and

I.R.C. § 168(i)(18)(B)(iv) — provides net metering.

I.R.C. § 168(i)(19) Qualified Smart Electric Grid Systems

I.R.C. § 168(i)(19)(A) **In General** — The term "qualified smart electric grid system" means any smart grid property which—

I.R.C. § 168(i)(19)(A)(i) — is used as part of a system for electric distribution grid communications, monitoring, and management placed in service by a taxpayer who is a supplier of electric energy or a provider of electric energy services, and

I.R.C. § 168(i)(19)(A)(ii) — does not have a class life (determined without regard to subsection (e)) of less than 16 years.

I.R.C. § 168(i)(19)(B) **Smart Grid Property** — For the purposes of subparagraph (A), the term "smart grid property" means electronics and related equipment that is capable of—

I.R.C. § 168(i)(19)(B)(i) — sensing, collecting, and monitoring data of or from all portions of a utility's electric distribution grid,

I.R.C. § 168(i)(19)(B)(ii) — providing real-time, two-way communications to monitor or manage such grid, and

I.R.C. § 168(i)(19)(B)(iii) — providing real time analysis of and event prediction based upon collected data that can be used to improve electric distribution system reliability, quality, and performance.

I.R.C. § 168(j) Property On Indian Reservations

I.R.C. § 168(j)(1) **In General** — For purposes of subsection (a), the applicable recovery period for qualified Indian reservation property shall be determined in accordance with the table contained in paragraph (2) in lieu of the table contained in subsection (c).

I.R.C. § 168(j)(2) **Applicable Recovery Period For Indian Reservation Property** — For purposes of paragraph (1)—

In the case of: recovery period is:	The applicable
3-year property	2 years
5-year property	3 years
7-year property	4 years
10-year property	6 years
15-year property	9 years
20-year property	12 years
Nonresidential real property	22 years.

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I.R.C. § 168(j)(3) Deduction Allowed In Computing Minimum Tax — For purposes of determining alternative minimum taxable income under section 56, the deduction under subsection (a) for qualified Indian reservation property shall be determined under this section without regard to any adjustment under section 55.

I.R.C. § 168(j)(4) Qualified Indian Reservation Property Defined — For purposes of this subsection—

I.R.C. § 168(j)(4)(A) In General — The term "qualified Indian reservation property" means property which is property described in the table in paragraph (2) and which is—

I.R.C. § 168(j)(4)(A)(i) — used by the taxpayer predominantly in the active conduct of a trade or business within an Indian reservation,

I.R.C. § 168(j)(4)(A)(ii) — not used or located outside the Indian reservation on a regular basis,

I.R.C. § 168(j)(4)(A)(iii) — not acquired (directly or indirectly) by the taxpayer from a person who is related to the taxpayer (within the meaning of section 465(b)(3)(C)), and

I.R.C. § 168(j)(4)(A)(iv) — not property (or any portion thereof) placed in service for purposes of conducting or housing class I, II, or III gaming (as defined in section 4 of the Indian Regulatory Act (25 U.S.C. 2703)).

I.R.C. § 168(j)(4)(B) Exception For Alternative Depreciation Property — The term "qualified Indian reservation property" does not include any property to which the alternative depreciation system under subsection (g) applies, determined—

I.R.C. § 168(j)(4)(B)(i) — without regard to subsection (g)(7) (relating to election to use alternative depreciation system), and

I.R.C. § 168(j)(4)(B)(ii) — after the application of section 280F(b) (relating to listed property with limited business use).

I.R.C. § 168(j)(4)(C) Special Rule For Reservation Infrastructure Investment

I.R.C. § 168(j)(4)(C)(i) In General — Subparagraph (A)(ii) shall not apply to qualified infrastructure property located outside of the Indian reservation if the purpose of such property is to connect with qualified infrastructure property located within the Indian reservation.

I.R.C. § 168(j)(4)(C)(ii) Qualified Infrastructure Property — For purposes of this subparagraph, the term "qualified infrastructure property" means qualified Indian reservation property (determined without regard to subparagraph (A)(ii)) which—

I.R.C. § 168(j)(4)(C)(ii)(I) — benefits the tribal infrastructure,

I.R.C. § 168(j)(4)(C)(ii)(II) — is available to the general public, and

I.R.C. § 168(j)(4)(C)(ii)(III) — is placed in service in connection with the taxpayer's active conduct of a trade or business within an Indian reservation.

Such term includes, but is not limited to, roads, power lines, water systems, railroad spurs, and communications facilities.

I.R.C. § 168(j)(5) Real Estate Rentals — For purposes of this subsection, the rental to others of real property located within an Indian reservation shall be treated as the active conduct of a trade or business within an Indian reservation.

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I.R.C. § 168(j)(6) Indian Reservation Defined — For purposes of this subsection, the term "Indian reservation" means a reservation, as defined in—

I.R.C. § 168(j)(6)(A) — section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)), or

I.R.C. § 168(j)(6)(B) — section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)).

For purposes of the preceding sentence, such section 3(d) shall be applied by treating the term "former Indian reservations in Oklahoma" as including only lands which are within the jurisdictional area of an Oklahoma Indian tribe (as determined by the Secretary of the Interior) and are recognized by such Secretary as eligible for trust land status under 25 CFR Part 151 (as in effect on the date of the enactment of this sentence).

I.R.C. § 168(j)(7) Coordination With Nonrevenue Laws — Any reference in this subsection to a provision not contained in this title shall be treated for purposes of this subsection as a reference to such provision as in effect on the date of the enactment of this paragraph.

I.R.C. § 168(j)(8) Election Out — If a taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, paragraph (1) shall not apply to all property in such class placed in service during such taxable year. Such election, once made, shall be irrevocable.

I.R.C. § 168(j)(9) Termination — This subsection shall not apply to property placed in service after December 31, 2017.

I.R.C. § 168(k) Special Allowance For Certain Property

I.R.C. § 168(k)(1) Additional Allowance — In the case of any qualified property—

I.R.C. § 168(k)(1)(A) —

Editor's Note: Sec. 168(k)(1)(A), after amendment by Pub. L. 115-97, Sec. 13201(a)(1)(A), is effective for property acquired after September 27, 2017, and placed in service after such date, and for specified plants planted or grafted after September 27, 2017.

the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to the applicable percentage of the adjusted basis of the qualified property, and

I.R.C. § 168(k)(1)(A) —

Editor's Note: Sec. 168(k)(1)(A), before amendment by Pub. L. 115-97, Secs. 13201, and Sec. 13204(a)(4), is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of the qualified property, and

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I.R.C. § 168(k)(1)(B) — the adjusted basis of the qualified property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

I.R.C. § 168(k)(2) **Qualified Property** — For purposes of this subsection—

I.R.C. § 168(k)(2)(A) **In General** — The term “qualified property” means property—

I.R.C. § 168(k)(2)(A)(i)

I.R.C. § 168(k)(2)(A)(i)(I) — to which this section applies which has a recovery period of 20 years or less,

I.R.C. § 168(k)(2)(A)(i)(II) — which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,

I.R.C. § 168(k)(2)(A)(i)(III) — which is water utility property, or

I.R.C. § 168(k)(2)(A)(i)(IV) —

Editor's Note: Pub. L. 115-97, Sec. 13201, added Sec. 168(k)(2)(A)(i)(IV), effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

which is a qualified film or television production (as defined in subsection (d) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or

I.R.C. § 168(k)(2)(A)(i)(IV) —

Editor's Note: Pub. L. 115-97, Sec. 13204(a)(4)(A), struck Sec. 168(k)(2)(A)(i)(IV), effective for property placed in service after December 31, 2017.

which is qualified improvement property,

I.R.C. § 168(k)(2)(A)(i)(V) —

Editor's Note: Pub. L. 115-97, Sec. 13201, added Sec. 168(k)(2)(A)(i)(V), below, effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

which is a qualified live theatrical production (as defined in subsection (e) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection,

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I.R.C. § 168(k)(2)(A)(ii) —

Editor's Note: Sec. 168(k)(2)(A)(ii), below, after amendment by Pub. L. 115-97, Sec. 13201(c)(1), is effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of clause (ii) of subparagraph (E), and

I.R.C. § 168(k)(2)(A)(ii) —

Editor's Note: Sec. 168(k)(2)(A)(ii), below, before amendment by Pub. L. 115-97, Sec. 13201(c)(1), is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

the original use of which commences with the taxpayer, and

I.R.C. § 168(k)(2)(A)(iii) —

Editor's Note: Sec. 168(k)(2)(A)(iii), below, after amendment by Pub. L. 115-97, Sec. 13201(b)(1)(A)(i), is effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

which is placed in service by the taxpayer before January 1, 2027.

I.R.C. § 168(k)(2)(A)(iii) —

Editor's Note: Sec. 168(k)(2)(A)(iii), below, before amendment by Pub. L. 115-97, Sec. 13201(b)(1)(A)(i), is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

which is placed in service by the taxpayer before January 1, 2020.

I.R.C. § 168(k)(2)(B) Certain Property Having Longer Production Periods Treated As Qualified Property

I.R.C. § 168(k)(2)(B)(i) In General —

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Editor's Note: Sec. 168(k)(2)(B)(i), below, after amendment by Pub. L. 115-97, Sec. 13201(b)(1)(A), is effective for property acquired after September 27, 2017, and for specified plants planted or grafted after September 27, 2017.

The term "qualified property" includes any property if such property—

I.R.C. § 168(k)(2)(B)(i)(I) — meets the requirements of clauses (i) and (ii) of subparagraph (A),

I.R.C. § 168(k)(2)(B)(i)(II) — is placed in service by the taxpayer before January 1, 2028,

I.R.C. § 168(k)(2)(B)(i)(III) — is acquired by the taxpayer (or acquired pursuant to a written binding contract entered into) before January 1, 2027,

I.R.C. § 168(k)(2)(B)(i)(IV) — has a recovery period of at least 10 years or is transportation property,

I.R.C. § 168(k)(2)(B)(i)(V) — is subject to section 263A, and

I.R.C. § 168(k)(2)(B)(i)(VI) — meets the requirements of clause (iii) of section 263A(f)(1)(B) (determined as if such clause also applies to property which has a long useful life (within the meaning of section 263A(f))).

I.R.C. § 168(k)(2)(B)(i) **In General** —

Editor's Note: Sec. 168(k)(2)(B)(i), below, before amendment by Pub. L. 115-97, Sec. 13201(b)(1)(A), is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

The term "qualified property" includes property if such property—

I.R.C. § 168(k)(2)(B)(i)(I) — meets the requirements of clauses (i) and (ii) of subparagraph (A),

I.R.C. § 168(k)(2)(B)(i)(II) — is placed in service by the taxpayer before January 1, 2021,

I.R.C. § 168(k)(2)(B)(i)(III) — is acquired by the taxpayer (or acquired pursuant to a written binding contract entered into) before January 1, 2020,

I.R.C. § 168(k)(2)(B)(i)(IV) — has a recovery period of at least 10 years or is transportation property,

I.R.C. § 168(k)(2)(B)(i)(V) — is subject to section 263A, and

I.R.C. § 168(k)(2)(B)(i)(VI) — meets the requirements of clause (iii) of section 263A(f)(1)(B) (determined as if such clause also applies to property which has a long useful life (within the meaning of section 263A(f))).

I.R.C. § 168(k)(2)(B)(ii) **Only Pre-January 1, 2027 Basis Eligible For Additional Allowance** —

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Editor's Note: Sec. 168(k)(2)(B)(ii), below, after amendment by Pub. L. 115-97, Sec. 13201(b)(1)(A), is effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before January 1, 2027.

I.R.C. § 168(k)(2)(B)(ii) Only Pre-January 1, 2020 Basis Eligible For Additional Allowance —

Editor's Note: Sec. 168(k)(2)(B)(ii), below, before amendment by Pub. L. 115-97, Sec. 13201(b)(1)(A), is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before January 1, 2020.

I.R.C. § 168(k)(2)(B)(iii) Transportation Property — For purposes of this subparagraph, the term "transportation property" means tangible personal property used in the trade or business of transporting persons or property.

I.R.C. § 168(k)(2)(B)(iv) Application Of Subparagraph — This subparagraph shall not apply to any property which is described in subparagraph (C).

I.R.C. § 168(k)(2)(C) Certain Aircraft — The term "qualified property" includes property—

I.R.C. § 168(k)(2)(C)(i) — which meets the requirements of subparagraph (A)(ii) and subclauses (II) and (III) of subparagraph (B)(i),

I.R.C. § 168(k)(2)(C)(ii) — which is an aircraft which is not a transportation property (as defined in subparagraph (B)(iii)) other than for agricultural or firefighting purposes,

I.R.C. § 168(k)(2)(C)(iii) — which is purchased and on which such purchaser, at the time of the contract for purchase, has made a nonrefundable deposit of the lesser of—

I.R.C. § 168(k)(2)(C)(iii)(I) — 10 percent of the cost, or

I.R.C. § 168(k)(2)(C)(iii)(II) — \$100,000, and

I.R.C. § 168(k)(2)(C)(iv) — which has—

I.R.C. § 168(k)(2)(C)(iv)(I) — an estimated production period exceeding 4 months, and

I.R.C. § 168(k)(2)(C)(iv)(II) — a cost exceeding \$200,000.

I.R.C. § 168(k)(2)(D) Exception For Alternative Depreciation Property — The term "qualified property" shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

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I.R.C. § 168(k)(2)(D)(i) — without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

I.R.C. § 168(k)(2)(D)(ii) — after application of section 280F(b) (relating to listed property with limited business use).

I.R.C. § 168(k)(2)(E) **Special Rules** —

Editor's Note: Sec. 168(k)(2)(E), below, after amendment by Pub. L. 115-97, Sec. 13201, is effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

I.R.C. § 168(k)(2)(E)(i) **Self-Constructed Property** — In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer's own use, the requirements of subclause (III) of subparagraph (B)(ii) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property before January 1, 2027.

I.R.C. § 168(k)(2)(E)(ii) **Acquisition Requirements** — An acquisition of property meets the requirements of this clause if—

I.R.C. § 168(k)(2)(E)(ii)(I) — such property was not used by the taxpayer at any time prior to such acquisition, and

I.R.C. § 168(k)(2)(E)(ii)(II) — the acquisition of such property meets the requirements of paragraphs (2)(A), (2)(B), (2)(C), and (3) of section 179(d).

I.R.C. § 168(k)(2)(E)(iii) **Syndication** — For purposes of subparagraph (A)(ii), if—

I.R.C. § 168(k)(2)(E)(iii)(I) — property is used by a lessor of such property and such use is the lessor's first use of such property,

I.R.C. § 168(k)(2)(E)(iii)(II) — such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and

I.R.C. § 168(k)(2)(E)(iii)(III) — the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date of such last sale.

I.R.C. § 168(k)(2)(E) **Special Rules** —

Editor's Note: Sec. 168(k)(2)(E), below, before amendment by Pub. L. 115-97, Sec. 13201, is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

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I.R.C. § 168(k)(2)(E)(i) Self-Constructed Property — In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer's own use, the requirements of subclause (II) of subparagraph (B)(i) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property and before January 1, 2020.

I.R.C. § 168(k)(2)(E)(ii) Sale-Leasebacks — For purposes of clause (iii) and subparagraph (A)(ii), if property is—

I.R.C. § 168(k)(2)(E)(ii)(I) — originally placed in service by a person, and

I.R.C. § 168(k)(2)(E)(ii)(II) — sold and leased back by such person within 3 months after the date such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

I.R.C. § 168(k)(2)(E)(iii) Syndication — For purposes of subparagraph (A)(ii), if—

I.R.C. § 168(k)(2)(E)(iii)(I) — property is originally placed in service by the lessor of such property,

I.R.C. § 168(k)(2)(E)(iii)(II) — such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and

I.R.C. § 168(k)(2)(E)(iii)(III) — the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date of such last sale.

I.R.C. § 168(k)(2)(F) Coordination With Section 280F — For purposes of section 280F—

I.R.C. § 168(k)(2)(F)(i) Automobiles — In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$8,000.

I.R.C. § 168(k)(2)(F)(ii) Listed Property — The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

I.R.C. § 168(k)(2)(F)(iii) Phase Down —

Editor's Note: Sec. 168(k)(2)(F)(iii), below, after amendment by Pub. L. 115-97, Sec. 13201(f), is effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

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In the case of a passenger automobile acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017, clause (i) shall be applied by substituting for "\$8,000"—

I.R.C. § 168(k)(2)(F)(iii)(I) — in the case of an automobile placed in service during 2018, \$6,400, and

I.R.C. § 168(k)(2)(F)(iii)(II) — in the case of an automobile placed in service during 2019, \$4,800.

I.R.C. § 168(k)(2)(F)(iii) Phase Down —

Editor's Note: Sec. 168(k)(2)(F)(iii), below, before amendment by Pub. L. 115-97, Sec. 13201(f), is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

In the case of a passenger automobile placed in service by the taxpayer after December 31, 2017, clause (i) shall be applied by substituting for "\$8,000"—

I.R.C. § 168(k)(2)(F)(iii)(I) — in the case of an automobile placed in service during 2018, \$6,400, and

I.R.C. § 168(k)(2)(F)(iii)(II) — in the case of an automobile placed in service during 2019, \$4,800.

I.R.C. § 168(k)(2)(G) Deduction Allowed In Computing Minimum Tax — For purposes of determining alternative minimum taxable income under section 55, the deduction under section 167 for qualified property shall be determined without regard to any adjustment under section 56.

I.R.C. § 168(k)(2)(H) Production Placed In Service —

Editor's Note: Pub. L. 115-97, Sec. 13201(g)(2), added Sec. 168(k)(2)(H), effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

For purposes of subparagraph (A)—

I.R.C. § 168(k)(2)(H)(i) — a qualified film or television production shall be considered to be placed in service at the time of initial release or broadcast, and

I.R.C. § 168(k)(2)(H)(ii) — a qualified live theatrical production shall be considered to be placed in service at the time of the initial live staged performance.

I.R.C. § 168(k)(3) Qualified Improvement Property —

Editor's Note: Pub. L. 115-97, Sec. 13204(a)(4)(B)(ii), struck Sec. 168(k)(3), effective for property placed in service in taxable years beginning after December 31, 2017.

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For purposes of this subsection—

I.R.C. § 168(k)(3)(A) In General — The term “qualified improvement property” means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

I.R.C. § 168(k)(3)(B) Certain Improvements Not Included — Such term shall not include any improvement for which the expenditure is attributable to—

I.R.C. § 168(k)(3)(B)(i) — the enlargement of the building,

I.R.C. § 168(k)(3)(B)(ii) — any elevator or escalator, or

I.R.C. § 168(k)(3)(B)(iii) — the internal structural framework of the building.

I.R.C. § 168(k)(4) Election To Accelerate AMT Credits In Lieu Of Bonus Depreciation —

Editor's Note: Pub. L. 115-97, Sec. 12001(b)(13), struck Sec. 168(k)(4), effective for taxable years beginning after December 31, 2017.

I.R.C. § 168(k)(4)(A) In General — If a corporation elects to have this paragraph apply for any taxable year—

I.R.C. § 168(k)(4)(A)(i) — paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year,

I.R.C. § 168(k)(4)(A)(ii) — the applicable depreciation method used under this section with respect to such property shall be the straight line method, and

I.R.C. § 168(k)(4)(A)(iii) — the limitation imposed by section 53(c) for such taxable year shall be increased by the bonus depreciation amount which is determined for such taxable year under subparagraph (B).

I.R.C. § 168(k)(4)(B) Bonus Depreciation Amount — For purposes of this paragraph—

I.R.C. § 168(k)(4)(B)(i) In General — The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—

I.R.C. § 168(k)(4)(B)(i)(I) — the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property (and, in the case of any such property which is a passenger automobile (as defined in section 280F(d)(5)), if paragraph (2)(F) applied to such automobile), over

I.R.C. § 168(k)(4)(B)(i)(II) — the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraphs (1) and (2)(F) did not apply to any such property.

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The aggregate amounts determined under subclauses (I) and (II) shall be determined without regard to any election made under subparagraph (A) or subsection (b)(2)(D), (b)(3)(D), or (g)(7).

I.R.C. § 168(k)(4)(B)(ii) Limitation — The bonus depreciation amount for any taxable year shall not exceed the lesser of—

I.R.C. § 168(k)(4)(B)(ii)(I) — 50 percent of the minimum tax credit under section 53(b) for the first taxable year ending after December 31, 2015, or

I.R.C. § 168(k)(4)(B)(ii)(II) — The minimum tax credit under section 53(b) for such taxable year determined by taking into account only the adjusted net minimum tax for taxable years ending before January 1, 2016 (determined by treating credits as allowed on a first-in, first-out basis).

I.R.C. § 168(k)(4)(B)(iii) Aggregation Rule — All corporations which are treated as a single employer under section 52(a) shall be treated—

I.R.C. § 168(k)(4)(B)(iii)(I) — as 1 taxpayer for purposes of this paragraph, and

I.R.C. § 168(k)(4)(B)(iii)(II) — as having elected the application of this paragraph if any such corporation so elects.

I.R.C. § 168(k)(4)(C) Credit Refundable — For purposes of section 6401(b), the aggregate increase in the credits allowable under part IV of subchapter A for any taxable year resulting from the application of this paragraph shall be treated as allowed under subpart C of such part (and not any other subpart).

I.R.C. § 168(k)(4)(D) Other Rules

I.R.C. § 168(k)(4)(D)(i) Election — Any election under this paragraph may be revoked only with the consent of the Secretary.

I.R.C. § 168(k)(4)(D)(ii) Partnerships With Electing Partners — In the case of a corporation which is a partner in a partnership and which makes an election under subparagraph (A) for the taxable year, for purposes of determining such corporation's distributive share of partnership items under section 702 for such taxable year—

I.R.C. § 168(k)(4)(D)(ii)(I) — paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year, and

I.R.C. § 168(k)(4)(D)(ii)(II) — the applicable depreciation method used under this section with respect to such property shall be the straight line method.

I.R.C. § 168(k)(4)(D)(iii) Certain Partnerships — In the case of a partnership in which more than 50 percent of the capital and profits interests are owned (directly or indirectly) at all times during the taxable year by 1 corporation (or by corporations treated as 1 taxpayer under subparagraph (B)(iii)), each partner shall compute its bonus depreciation amount under clause (i) of subparagraph (B) by taking into account its distributive share of the amounts determined by the partnership under subclauses (I) and (II) of such clause for the taxable year of the partnership ending with or within the taxable year of the partner.

I.R.C. § 168(k)(5) Special Rules For Certain Plants Bearing Fruits And Nuts

I.R.C. § 168(k)(5)(A) In General —

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Editor's Note: Sec. 168(k)(5)(A), below, after amendment by Pub. L. 115-97, Sec. 13201, is effective for specified plants planted or grafted after September 27, 2017.

In the case of any specified plant which is planted before January 1, 2027, or is grafted before such date to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business (as defined in section 263A(e)(4)) during a taxable year for which the taxpayer has elected the application of this paragraph—

I.R.C. § 168(k)(5)(A)(i) — a depreciation deduction equal to the applicable percentage of the adjusted basis of such specified plant shall be allowed under section 167(a) for the taxable year in which such specified plant is so planted or grafted, and

I.R.C. § 168(k)(5)(A)(ii) — the adjusted basis of such specified plant shall be reduced by the amount of such deduction.

I.R.C. § 168(k)(5)(A) **In General** —

Editor's Note: Sec. 168(k)(5)(A), below, before amendment by Pub. L. 115-97, Sec. 13201, is effective for specified plants planted or grafted before September 28, 2017.

In the case of any specified plant which is planted before January 1, 2020, or is grafted before such date to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business (as defined in section 263A(e)(4)) during a taxable year for which the taxpayer has elected the application of this paragraph—

I.R.C. § 168(k)(5)(A)(i) — a depreciation deduction equal to equal to 50 percent of the adjusted basis of such specified plant shall be allowed under section 167(a) for the taxable year in which such specified plant is so planted or grafted, and

I.R.C. § 168(k)(5)(A)(ii) — the adjusted basis of such specified plant shall be reduced by the amount of such deduction.

I.R.C. § 168(k)(5)(B) **Specified Plant** — For purposes of this paragraph, the term "specified plant" means—

I.R.C. § 168(k)(5)(B)(i) — any tree or vine which bears fruits or nuts, and

I.R.C. § 168(k)(5)(B)(ii) — any other plant which will have more than one crop or yield of fruits or nuts and which generally has a pre-productive period of more than 2 years from the time of planting or grafting to the time at which such plant begins bearing a marketable crop or yield of fruits or nuts.

Such term shall not include any property which is planted or grafted outside of the United States.

I.R.C. § 168(k)(5)(C) **Election Revocable Only With Consent** — An election under this paragraph may be revoked only with the consent of the Secretary.

I.R.C. § 168(k)(5)(D) **Additional Depreciation May Be Claimed Only Once** — If this paragraph applies to any specified plant, such specified plant shall not be treated as qualified property in the taxable year in which placed in service.

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I.R.C. § 168(k)(5)(E) **Deduction Allowed In Computing Minimum Tax** — Rules similar to the rules of paragraph (2)(G) shall apply for purposes of this paragraph.

I.R.C. § 168(k)(5)(F) **Phase Down** —

Editor's Note: Pub. L. 115-97, Sec. 13201(a)(3)(A), struck Sec. 168(k)(5)(F), effective for specified plants planted or grafted after September 27, 2017.

In the case of a specified plant which is planted after December 31, 2017 (or is grafted to a plant that has already been planted before such date), subparagraph (A)(i) shall be applied by substituting for "50 percent"—

I.R.C. § 168(k)(5)(F)(i) — in the case of a plant which is planted (or so grafted) in 2018, "40 percent", and

I.R.C. § 168(k)(5)(F)(ii) — in the case of a plant which is planted (or so grafted) during 2019, "30 percent".

I.R.C. § 168(k)(6) **Applicable Percentage** —

Editor's Note: Sec. 168(k)(6), below, after amendment by Pub. L. 115-97, Sec. 13201(a)(2), is effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

For purposes of this subsection—

I.R.C. § 168(k)(6)(A) **In General** — Except as otherwise provided in this paragraph, the term "applicable percentage" means—

I.R.C. § 168(k)(6)(A)(i) — in the case of property placed in service after September 27, 2017, and before January 1, 2023, 100 percent,

I.R.C. § 168(k)(6)(A)(ii) — in the case of property placed in service after December 31, 2022, and before January 1, 2024, 80 percent,

I.R.C. § 168(k)(6)(A)(iii) — in the case of property placed in service after December 31, 2023, and before January 1, 2025, 60 percent,

I.R.C. § 168(k)(6)(A)(iv) — in the case of property placed in service after December 31, 2024, and before January 1, 2026, 40 percent, and

I.R.C. § 168(k)(6)(A)(v) — in the case of property placed in service after December 31, 2025, and before January 1, 2027, 20 percent.

I.R.C. § 168(k)(6)(B) **Rule For Property With Longer Production Periods** — In the case of property described in subparagraph (B) or (C) of paragraph (2), the term "applicable percentage" means—

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I.R.C. § 168(k)(6)(B)(i) — in the case of property placed in service after September 27, 2017, and before January 1, 2024, 100 percent,

I.R.C. § 168(k)(6)(B)(ii) — in the case of property placed in service after December 31, 2023, and before January 1, 2025, 80 percent,

I.R.C. § 168(k)(6)(B)(iii) — in the case of property placed in service after December 31, 2024, and before January 1, 2026, 60 percent,

I.R.C. § 168(k)(6)(B)(iv) — in the case of property placed in service after December 31, 2025, and before January 1, 2027, 40 percent, and

I.R.C. § 168(k)(6)(B)(v) — in the case of property placed in service after December 31, 2026, and before January 1, 2028, 20 percent.

I.R.C. § 168(k)(6)(C) Rule For Plants Bearing Fruits And Nuts — In the case of a specified plant described in paragraph (5), the term "applicable percentage" means—

I.R.C. § 168(k)(6)(C)(i) — in the case of a plant which is planted or grafted after September 27, 2017, and before January 1, 2023, 100 percent,

I.R.C. § 168(k)(6)(C)(ii) — in the case of a plant which is planted or grafted after December 31, 2022, and before January 1, 2024, 80 percent,

I.R.C. § 168(k)(6)(C)(iii) — in the case of a plant which is planted or grafted after December 31, 2023, and before January 1, 2025, 60 percent,

I.R.C. § 168(k)(6)(C)(iv) — in the case of a plant which is planted or grafted after December 31, 2024, and before January 1, 2026, 40 percent, and

I.R.C. § 168(k)(6)(C)(v) — in the case of a plant which is planted or grafted after December 31, 2025, and before January 1, 2027, 20 percent.

I.R.C. § 168(k)(6) Phase Down —

Editor's Note: Sec. 168(k)(6), below, before amendment by Pub. L. 115-97, Sec. 13201(a)(2), is effective for property acquired before September 28, 2017, and for specified plants planted or grafted before September 28, 2017.

In the case of qualified property placed in service by the taxpayer after December 31, 2017, paragraph (1)(A) shall be applied by substituting for "50 percent"—

I.R.C. § 168(k)(6)(A) — in the case of property placed in service in 2018 (or in the case of property placed in service in 2019 and described in paragraph (2)(B) or (C) (determined by substituting "2019" for "2020" in paragraphs (2)(B)(i)(III) and (ii) and paragraph (2)(E)(i)), "40 percent",

I.R.C. § 168(k)(6)(B) — in the case of property placed in service in 2019 (or in the case of property placed in service in 2020 and described in paragraph (2)(B) or (C)), "30 percent".

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I.R.C. § 168(k)(7) Election Out — If a taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, paragraphs (1) and (2)(F) shall not apply to any qualified property in such class placed in service during such taxable year. An election under this paragraph may be revoked only with the consent of the Secretary.

I.R.C. § 168(k)(8) Phase Down —

Editor's Note: Pub. L. 115-97, Sec. 13201(a)(3)(B), added Sec. 168(k)(8), effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

In the case of qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017, paragraph (6) shall be applied by substituting for each percentage therein—

I.R.C. § 168(k)(8)(A) — "50 percent" in the case of—

I.R.C. § 168(k)(8)(A)(i) — property placed in service before January 1, 2018, and

I.R.C. § 168(k)(8)(A)(ii) — property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2018,

I.R.C. § 168(k)(8)(B) — "40 percent" in the case of—

I.R.C. § 168(k)(8)(B)(i) — property placed in service in 2018 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

I.R.C. § 168(k)(8)(B)(ii) — property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2019,

I.R.C. § 168(k)(8)(C) — "30 percent" in the case of—

I.R.C. § 168(k)(8)(C)(i) — property placed in service in 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

I.R.C. § 168(k)(8)(C)(ii) — property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2020, and

I.R.C. § 168(k)(8)(D) — "0 percent" in the case of—

I.R.C. § 168(k)(8)(D)(i) — property placed in service after 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

I.R.C. § 168(k)(8)(D)(ii) — property described in subparagraph (B) or (C) of paragraph (2) which is placed in service after 2020.

I.R.C. § 168(k)(9) Exception For Certain Property —

Editor's Note: Pub. L. 115-97, Sec. 13201(d), added Sec. 168(k)(9), effective for property acquired after September 27, 2017,

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and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

The term "qualified property" shall not include—

I.R.C. § 168(k)(9)(A) — any property which is primarily used in a trade or business described in clause (iv) of section 163(j)(7)(A), or

I.R.C. § 168(k)(9)(B) — any property used in a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.

I.R.C. § 168(k)(10) Special Rule For Property Placed In Service During Certain Periods —

Editor's Note: Pub. L. 115-97, Sec. 13201(e), added Sec. 168(k)(10), effective for property acquired after September 27, 2017, and placed in service after such date and for specified plants planted or grafted after September 27, 2017.

I.R.C. § 168(k)(10)(A) **In General** — In the case of qualified property placed in service by the taxpayer during the first taxable year ending after September 27, 2017, if the taxpayer elects to have this paragraph apply for such taxable year, paragraphs (1)(A) and (5)(A)(i) shall be applied by substituting "50 percent" for "the applicable percentage".

I.R.C. § 168(k)(10)(B) **Form Of Election** — Any election under this paragraph shall be made at such time and in such form and manner as the Secretary may prescribe.

I.R.C. § 168(l) Special Allowance For Second Generation Biofuel Plant Property

I.R.C. § 168(l)(1) **Additional Allowance** — In the case of any qualified second generation biofuel plant property—

I.R.C. § 168(l)(1)(A) — the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of such property, and

I.R.C. § 168(l)(1)(B) — the adjusted basis of such property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

I.R.C. § 168(l)(2) **Qualified Second Generation Biofuel Plant Property** — The term "qualified second generation biofuel plant property" means property of a character subject to the allowance for depreciation—

I.R.C. § 168(l)(2)(A) — which is used in the United States solely to produce second generation biofuel (as defined in section 40(b)(6)(E)),

I.R.C. § 168(l)(2)(B) — the original use of which commences with the taxpayer after the date of the enactment of this subsection,

I.R.C. § 168(l)(2)(C) — which is acquired by the taxpayer by purchase (as defined in section 179(d)) after the date of the enactment of this subsection, but only if no written binding contract for the acquisition was in effect on or before the date of the enactment of this subsection, and

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I.R.C. § 168(l)(2)(D) — which is placed in service by the taxpayer before January 1, 2018.

I.R.C. § 168(l)(3) Exceptions

I.R.C. § 168(l)(3)(A) Bonus Depreciation Property Under Subsection (k) — Such term shall not include any property to which subsection (k) applies.

I.R.C. § 168(l)(3)(B) Alternative Depreciation Property — Such term shall not include any property described in subsection (k)(2)(D).

I.R.C. § 168(l)(3)(C) Tax-Exempt Bond-Financed Property — Such term shall not include any property any portion of which is financed with the proceeds of any obligation the interest on which is exempt from tax under section 103.

I.R.C. § 168(l)(3)(D) Election Out — If a taxpayer makes an election under this subparagraph with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

I.R.C. § 168(l)(4) Special Rules — For purposes of this subsection, rules similar to the rules of subsection (k)(2)(E) shall apply.

I.R.C. § 168(l)(5) Allowance Against Alternative Minimum Tax — For purposes of this subsection, rules similar to the rules of subsection (k)(2)(G) shall apply.

I.R.C. § 168(l)(6) Recapture — For purposes of this subsection, rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified second generation biofuel plant property which ceases to be qualified second generation biofuel plant property.

I.R.C. § 168(l)(7) Denial Of Double Benefit — Paragraph (1) shall not apply to any qualified second generation biofuel plant property with respect to which an election has been made under section 179C (relating to election to expense certain refineries).

I.R.C. § 168(m) Special Allowance For Certain Reuse And Recycling Property

I.R.C. § 168(m)(1) In General — In the case of any qualified reuse and recycling property—

I.R.C. § 168(m)(1)(A) — the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of the qualified reuse and recycling property, and

I.R.C. § 168(m)(1)(B) — the adjusted basis of the qualified reuse and recycling property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

I.R.C. § 168(m)(2) Qualified Reuse And Recycling Property — For purposes of this subsection—

I.R.C. § 168(m)(2)(A) In General — The term “qualified reuse and recycling property” means any reuse and recycling property—

I.R.C. § 168(m)(2)(A)(i) — to which this section applies,

I.R.C. § 168(m)(2)(A)(ii) — which has a useful life of at least 5 years,

I.R.C. § 168(m)(2)(A)(iii) — the original use of which commences with the taxpayer after August 31, 2008, and

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I.R.C. § 168(m)(2)(A)(iv) — which is—

I.R.C. § 168(m)(2)(A)(iv)(I) — acquired by purchase (as defined in section 179(d)(2)) by the taxpayer after August 31, 2008, but only if no written binding contract for the acquisition was in effect before September 1, 2008, or

I.R.C. § 168(m)(2)(A)(iv)(II) — acquired by the taxpayer pursuant to a written binding contract which was entered into after August 31, 2008.

I.R.C. § 168(m)(2)(B) Exceptions

I.R.C. § 168(m)(2)(B)(i) **Bonus Depreciation Property Under Subsection (k)** — The term "qualified reuse and recycling property" shall not include any property to which subsection (k) (determined without regard to paragraph (4) thereof) applies.

I.R.C. § 168(m)(2)(B)(ii) **Alternative Depreciation Property** — The term "qualified reuse and recycling property" shall not include any property to which the alternative depreciation system under subsection (g) applies, determined without regard to paragraph (7) of subsection (g) (relating to election to have system apply).

I.R.C. § 168(m)(2)(B)(iii) **Election Out** — If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

I.R.C. § 168(m)(2)(C) **Special Rule For Self-Constructed Property** — In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer's own use, the requirements of clause (iv) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after August 31, 2008.

I.R.C. § 168(m)(2)(D) **Deduction Allowed In Computing Minimum Tax** — For purposes of determining alternative minimum taxable income under section 55, the deduction under subsection (a) for qualified reuse and recycling property shall be determined under this section without regard to any adjustment under section 56.

I.R.C. § 168(m)(3) Definitions — For purposes of this subsection—

I.R.C. § 168(m)(3)(A) Reuse And Recycling Property

I.R.C. § 168(m)(3)(A)(i) **In General** — The term "reuse and recycling property" means any machinery and equipment (not including buildings or real estate), along with all appurtenances thereto, including software necessary to operate such equipment, which is used exclusively to collect, distribute, or recycle qualified reuse and recyclable materials.

I.R.C. § 168(m)(3)(A)(ii) **Exclusion** — Such term does not include rolling stock or other equipment used to transport reuse and recyclable materials.

I.R.C. § 168(m)(3)(B) Qualified Reuse and Recyclable Materials

I.R.C. § 168(m)(3)(B)(i) **In General** — The term "qualified reuse and recyclable materials" means scrap plastic, scrap glass, scrap textiles, scrap rubber, scrap packaging, recovered fiber, scrap ferrous and nonferrous metals, or electronic scrap generated by an individual or business.

I.R.C. § 168(m)(3)(B)(ii) **Electronic Scrap** — For purposes of clause (i), the term "electronic scrap" means—

I.R.C. § 168(m)(3)(B)(ii)(I) — any cathode ray tube, flat panel screen, or similar video display device with a screen size greater than 4 inches measured diagonally, or

I.R.C. § 168(m)(3)(B)(ii)(II) — any central processing unit.

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I.R.C. § 168(m)(3)(C) Recycling Or Recycle — The term “recycling” or “recycle” means that process (including sorting) by which worn or superfluous materials are manufactured or processed into specification grade commodities that are suitable for use as a replacement or substitute for virgin materials in manufacturing tangible consumer and commercial products, including packaging.

I.R.C. § 168(n) Special Allowance For Qualified Disaster Assistance Property —

Editor's Note: Pub. L. 115-141, Div. U, Sec. 401(b)(13)(A), struck subsec. (n), effective March 23, 2018, except for property placed in service before March 23, 2018.

I.R.C. § 168(n)(1) In General — In the case of any qualified disaster assistance property—

I.R.C. § 168(n)(1)(A) — the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of the qualified disaster assistance property, and

I.R.C. § 168(n)(1)(B) — the adjusted basis of the qualified disaster assistance property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

I.R.C. § 168(n)(2) Qualified Disaster Assistance Property — For purposes of this subsection—

I.R.C. § 168(n)(2)(A) In General — The term “qualified disaster assistance property” means any property—

I.R.C. § 168(n)(2)(A)(i)

I.R.C. § 168(n)(2)(A)(i)(I) — which is described in subsection (k)(2)(A)(i), or

I.R.C. § 168(n)(2)(A)(i)(II) — which is nonresidential real property or residential rental property,

I.R.C. § 168(n)(2)(A)(ii) — substantially all of the use of which is—

I.R.C. § 168(n)(2)(A)(ii)(I) — in a disaster area with respect to a federally declared disaster occurring before January 1, 2010, and

I.R.C. § 168(n)(2)(A)(ii)(II) — in the active conduct of a trade or business by the taxpayer in such disaster area,

I.R.C. § 168(n)(2)(A)(iii) — which—

I.R.C. § 168(n)(2)(A)(iii)(I) — rehabilitates property damaged, or replaces property destroyed or condemned, as a result of such federally declared disaster, except that, for purposes of this clause, property shall be treated as replacing property destroyed or condemned if, as part of an integrated plan, such property replaces property which is included in a continuous area which includes real property destroyed or condemned, and

I.R.C. § 168(n)(2)(A)(iii)(II) — is similar in nature to, and located in the same county as, the property being rehabilitated or replaced,

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I.R.C. § 168(n)(2)(A)(iv) — the original use of which in such disaster area commences with an eligible taxpayer on or after the applicable disaster date,

I.R.C. § 168(n)(2)(A)(v) — which is acquired by such eligible taxpayer by purchase (as defined in section 179(d)) on or after the applicable disaster date, but only if no written binding contract for the acquisition was in effect before such date, and

I.R.C. § 168(n)(2)(A)(vi) — which is placed in service by such eligible taxpayer on or before the date which is the last day of the third calendar year following the applicable disaster date (the fourth calendar year in the case of nonresidential real property and residential rental property).

I.R.C. § 168(n)(2)(B) Exceptions

I.R.C. § 168(n)(2)(B)(i) Other Bonus Depreciation Property — The term "qualified disaster assistance property" shall not include—

I.R.C. § 168(n)(2)(B)(i)(I) — any property to which subsection (k) (determined without regard to paragraph (4)), (l), or (m) applies,

I.R.C. § 168(n)(2)(B)(i)(II) — any property to which section 1400N(d) applies, and

I.R.C. § 168(n)(2)(B)(i)(III) — any property described in section 1400N(p)(3).

I.R.C. § 168(n)(2)(B)(ii) Alternative Depreciation Property — The term "qualified disaster assistance property" shall not include any property to which the alternative depreciation system under subsection (g) applies, determined without regard to paragraph (7) of subsection (g) (relating to election to have system apply).

I.R.C. § 168(n)(2)(B)(iii) Tax-Exempt Bond Financed Property — Such term shall not include any property any portion of which is financed with the proceeds of any obligation the interest on which is exempt from tax under section 103.

I.R.C. § 168(n)(2)(B)(iv) Qualified Revitalization Buildings — Such term shall not include any qualified revitalization building with respect to which the taxpayer has elected the application of paragraph (1) or (2) of section 1400I(a).

I.R.C. § 168(n)(2)(B)(v) Election Out — If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

I.R.C. § 168(n)(2)(C) Special Rules — For purposes of this subsection, rules similar to the rules of subparagraph (E) of subsection (k)(2) shall apply, except that such subparagraph shall be applied—

I.R.C. § 168(n)(2)(C)(i) — by substituting "the applicable disaster date" for "December 31, 2007"

I.R.C. § 168(n)(2)(C)(ii) — without regard to "and before January 1, 2015" in clause (i) thereof, and

I.R.C. § 168(n)(2)(C)(iii) — by substituting "qualified disaster assistance property" for "qualified property" in clause (iv) thereof.

I.R.C. § 168(n)(2)(D) Allowance Against Alternative Minimum Tax — For purposes of this subsection, rules similar to the rules of subsection (k)(2)(G) shall apply.

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I.R.C. § 168(n)(3) **Other Definitions** — For purposes of this subsection—

I.R.C. § 168(n)(3)(A) **Applicable Disaster Date** — The term “applicable disaster date” means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.

I.R.C. § 168(n)(3)(B) **Federally Declared Disaster** — The term “federally declared disaster” has the meaning given such term under section 165(h)(3)(C)(i).

I.R.C. § 168(n)(3)(C) **Disaster Area** — The term “disaster area” has the meaning given such term under section 165(h)(3)(C)(ii).

I.R.C. § 168(n)(3)(D) **Eligible Taxpayer** — The term “eligible taxpayer” means a taxpayer who has suffered an economic loss attributable to a federally declared disaster.

I.R.C. § 168(n)(4) **Recapture** — For purposes of this subsection, rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified disaster assistance property which ceases to be qualified disaster assistance property.

(Added by Pub. L. 97-34, title II, Sec. 201(a), Aug. 13, 1981, 95 Stat. 203, and amended by Pub. L. 97-248, title II, Sec. 206, 208(a)(1), (2)(A), (b), 209(a), (b), 216(a), 224(c)(1), (2), Sept. 3, 1982, 96 Stat. 431, 432, 435, 442, 445, 470, 489; Pub. L. 97-354, Sec. 5(a)(19), (20), Oct. 19, 1982, 96 Stat. 1693, 1694; Pub. L. 97-424, title V, Sec. 541(a)(1), Jan. 6, 1983, 96 Stat. 2192; Pub. L. 97-448, title I, Sec. 102(a)(1)-(5), (8)-(10)(A), (f)(4), Jan. 12, 1983, 96 Stat. 2367, 2368, 2371; Pub. L. 98-369, div. A, title I, Sec. 12(a)(3), 31(a), (d), 32(a), 111(a)-(e)(4), (9), 113(a)(2), (b)(1), (2)(A), title IV, Sec. 474(n)(7), title VI, Sec. 612(e)(4), (5), 628(b), July 18, 1984, 98 Stat. 503, 509, 518, 530, 631-633, 636, 637, 840, 912, 931; Pub. L. 99-121, title I, Sec. 103(a), (b)(1)(A), (2)-(4), Oct. 11, 1985, 99 Stat. 509; Pub. L. 99-514, title II, Sec. 201(a), title XVIII, Sec. 1802(a)(1)-(2)(E)(i), (G), (3), (4)(A), (B), (7), (b)(1), 1809(a)(1)-(2)(C)(i), (4)(A), (B), (b)(1), (2), Oct. 22, 1986, 100 Stat. 2121, 2786-2789, 2791, 2818-2821; Pub. L. 100-647, title I, Sec. 1002(a)(5)-(8), (11), (16)(B), (21), (23)(A), (i)(2)(A)-(G), 1018(b)(2), title VI, Sec. 6027(a), (b), 6028(a), 6029(a)-(c), 6253, Nov. 10, 1988, 102 Stat. 3353-3356, 3370, 3371, 3577, 3693, 3694, 3753; Pub. L. 101-239, title VII, Sec. 7816(e), (f), (w), Dec. 19, 1989, 103 Stat. 2421, 2423; Pub. L. 101-508, title XI, Sec. 11801(c)(8)(B), 11812(b)(2), 11813(b)(9), Nov. 5, 1990, 104 Stat. 1388-524, 1388-534, 1388-552; Pub. L. 103-66, title XIII, Sec. 13151(a), 13321(a), Aug. 10, 1993; Pub. L. 104-88, title III, Sec. 304, Dec. 29, 1995, 109 Stat. 943; Pub. L. 104-188, title I, Sec. 1120, 1121(a), 1613(b), 1702(h)(1), 1704(i)(54), Aug. 20, 1996, 110 Stat. 1755; Pub. L. 105-34, title X, XII, XVI, Sec. 1086(b), 1213(c), 1604(c), Aug. 5, 1997, 111 Stat. 788; Pub. L. 105-206, title VI, Sec. 6006(b), July 22, 1998, 112 Stat. 685; Pub. L. 107-147, title I, VI, Sec. 101(a), 613(b), Mar. 9, 2002, 116 Stat. 21; Pub. L. 108-27, title II, Sec. 201, May 28, 2003, 117 Stat. 752; Pub. L. 108-311, title III, IV, Sec. 316, 403(a), 408(a), Oct. 4, 2004, 118 Stat. 1166; Pub. L. 108-357, title II, III, VII, VIII, IX, Sec. 211, 336, 337, 704, 706, 847, 901; Oct. 22, 2004, 118 Stat. 1418; Pub. L. 109-58, title XIII, Sec. 1301(f)(5), 1308, 1325, 1326, Aug. 8, 2005, 119 Stat. 594; Pub. L. 109-135, title IV, Sec. 403(j), 405(a)(1), 410(a), 412(s), Dec. 21, 2005, 119 Stat. 2577; Pub. L. 109-432, div. A, title I, II, Sec. 112(a), 113(a), 209(a), Dec. 20, 2006, 120 Stat. 432; Pub. L. 110-172, Sec. 11(b)(1), Dec. 29, 2007, 121 Stat. 2473; Pub. L. 110-185, Sec. 103, Feb. 13, 2008, 122 Stat. 613; Pub. L. 110-246, title XV, Sec. 15344(a), June 18, 2008, 122 Stat. 1651; Pub. L. 110-289, div. A, title III, Sec. 3081, July 30, 2008, 122 Stat. 2654; Pub. L. 110-343, div. B, title II, Sec. 201, title III, Sec. 306, 308(a), div. C, title III, Sec. 305, 315, 317, title V, Sec. 505, title VII, 710(a), Oct. 3, 2008, 122 Stat. 3765; Pub. L. 111-5, div. B, title I, Sec. 1201, Feb. 17, 2009, 123 Stat. 115; Pub. L. 111-240, title II, Sec. 2022, Sept. 27, 2010, 124 Stat. 2504; Pub. L. 111-312, title IV, VII, Sec. 401, 737, 738, 739, Dec. 17, 2010, 124 Stat. 3296; Pub. L. 112-240, title III, IV, Sec. 311, 312, 313, 331, 410, Jan. 2, 2013, 126 Stat. 2313; Pub. L. 113-295, Div. A, title I, Sec. 121(a), 122(a), 123(a), 124(a), 125(a), 125(c), 125(d), 157(a), title II, Sec. 202(e), 210(c), 210(d), 210(g)(2), 211(b), 212(b), 214(b), Dec. 19, 2014, 128 Stat. 4010; Pub. L. 114-113, Div. Q, title I, Sec. 123, 143, 165, 166(a), 167, 189, Dec. 18, 2015; Pub. L. 115-97, Secs. 12001, 13201, 13203, 13204(a), 13205(a), 13504(b), Dec. 22, 2017, 131 Stat. 2054; Pub. L. 115-123, Div. D, title I, Secs. 40304(a), 40305(a), 40306(a), 40412(a), Feb. 9, 2018, 132 Stat. 64; Pub. L. 115-141, Div. U, title I, Sec. 101(d), (e), title III, Sec. 302(a), title IV, Sec. 401(a)(49), (50), 401(b)(13)(A), 401(d)(1)(D)(iv), Mar. 23, 2018, 132 Stat. 348.)

BACKGROUND NOTES

AMENDMENTS

2018 - Subsec. (d)(3)(B)(i). Pub. L. 115-141, Div. U, Sec. 401(a)(49), amended clause (i) by inserting a comma after “real property”.

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Subsec. (e)(3)(B). Pub. L. 115-141, Div. U, Sec. 302(a)(2), amended subpar. (B) by substituting "clause (vi)(I) (or the corresponding provisions of prior law) by reason of being public utility property (within the meaning of section 48(a)(3))." for "subclause (I) or (II) of clause (vi) by reason of being a public utility property."

Subsec. (e)(3)(B)(vi)(II). Pub. L. 115-141, Div. U, Sec. 302(a)(1), amended subclause (II) by substituting "has a power production capacity of not greater than 80 megawatts, or" for "is a qualifying small power production facility within the meaning of section 3(17)(C) of the Federal Power Act (16 U.S.C. 796(17)(C)), as in effect on September 1, 1986, or".

Subsec. (e)(3)(C)(i). Pub. L. 115-141, Div. U, Sec. 401(a)(50), amended clause (i) by striking "and".

Subsec. (g)(4)(G). Pub. L. 115-141, Div. U, Sec. 401(d)(1)(D)(iv), amended subpar. (G) by striking "(other than a corporation which has an election in effect under section 936)".

Subsec. (k)(2)(b)(i)(III). Pub. L. 115-141, Div. U, Sec. 101(d)(1), amended subclause (III) by inserting "binding" before "contract".

Subsec. (k)(5)(B)(ii). Pub. L. 115-141, Div. U, Sec. 101(d)(2), amended clause (ii) by inserting "crop or" after "more than one" and by inserting "a marketable crop or yield of" after "begins bearing".

Subsec. (j)(3). Pub. L. 115-141, Div. U, Sec. 101(e)(1), amended par. (3) by substituting "qualified Indian reservation property" for "property to which paragraph (1) applies".

Subsec. (j)(8). Pub. L. 115-141, Div. U, Sec. 101(e)(2), amended par. (8) by substituting "paragraph (1)" for "this subsection".

Subsec. (n). Pub. L. 115-141, Div. U, Sec. 401(b)(13)(A), struck subsec. (n). Before being struck, it read as follows:

"(n) Special Allowance For Qualified Disaster Assistance Property

"(1) In General.—In the case of any qualified disaster assistance property—

"(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of the qualified disaster assistance property, and

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"(B) the adjusted basis of the qualified disaster assistance property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

"(2) Qualified Disaster Assistance Property.—For purposes of this subsection—

"(A) In General.—The term "qualified disaster assistance property" means any property—

"(i)(I) which is described in subsection (k)(2)(A)(i), or

"(II) which is nonresidential real property or residential rental property,

"(ii) substantially all of the use of which is—

"(I) in a disaster area with respect to a federally declared disaster occurring before January 1, 2010, and

"(II) in the active conduct of a trade or business by the taxpayer in such disaster area,

"(iii) which—

"(I) rehabilitates property damaged, or replaces property destroyed or condemned, as a result of such federally declared disaster, except that, for purposes of this clause, property shall be treated as replacing property destroyed or condemned if, as part of an integrated plan, such property replaces property which is included in a continuous area which includes real property destroyed or condemned, and

"(II) is similar in nature to, and located in the same county as, the property being rehabilitated or replaced,

"(iv) the original use of which in such disaster area commences with an eligible taxpayer on or after the applicable disaster date,

"(v) which is acquired by such eligible taxpayer by purchase (as defined in section 179(d)) on or after the applicable disaster date, but only if no written binding contract for the acquisition was in effect before such date, and

"(vi) which is placed in service by such eligible taxpayer on or before the date which is the last day of the third calendar year following the applicable disaster date (the fourth calendar year in the case of nonresidential real property and residential rental property).

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"(B) Exceptions

"(i) Other Bonus Depreciation Property.—The term "qualified disaster assistance property" shall not include—

"(I) any property to which subsection (k) (determined without regard to paragraph (4)), (l), or (m) applies,

"(II) any property to which section 1400N(d) applies, and

"(III) any property described in section 1400N(p)(3).

"(ii) Alternative Depreciation Property.—The term "qualified disaster assistance property" shall not include any property to which the alternative depreciation system under subsection (g) applies, determined without regard to paragraph (7) of subsection (g) (relating to election to have system apply).

"(iii) Tax-Exempt Bond Financed Property.—Such term shall not include any property any portion of which is financed with the proceeds of any obligation the interest on which is exempt from tax under section 103.

"(iv) Qualified Revitalization Buildings.—Such term shall not include any qualified revitalization building with respect to which the taxpayer has elected the application of paragraph (1) or (2) of section 1400I(a).

"(v) Election Out.—If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

"(C) Special Rules.—For purposes of this subsection, rules similar to the rules of subparagraph (E) of subsection (k)(2) shall apply, except that such subparagraph shall be applied—

"(i) by substituting "the applicable disaster date" for "December 31, 2007"

"(ii) without regard to "and before January 1, 2015" in clause (i) thereof, and

"(iii) by substituting "qualified disaster assistance property" for "qualified property" in clause (iv) thereof.

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"(D) Allowance Against Alternative Minimum Tax.—For purposes of this subsection, rules similar to the rules of subsection (k)(2)(G) shall apply.

"(3) Other Definitions.—For purposes of this subsection—

"(A) Applicable Disaster Date.—The term "applicable disaster date" means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.

"(B) Federally Declared Disaster.—The term "federally declared disaster" has the meaning given such term under section 165(h)(3)(C)(i).

"(C) Disaster Area.—The term "disaster area" has the meaning given such term under section 165(h)(3)(C)(ii).

"(D) Eligible Taxpayer.—The term "eligible taxpayer" means a taxpayer who has suffered an economic loss attributable to a federally declared disaster.

"(4) Recapture.—For purposes of this subsection, rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified disaster assistance property which ceases to be qualified disaster assistance property."

Subsec. (e)(3)(A)(i). Pub. L. 115-123, Div. D, Sec. 40304(a), amended clause (i) by substituting "January 1, 2018" for "January 1, 2017" in subclause (I), and substituting "December 31, 2017" for "December 31, 2016" in subclause (II).

Subsec. (f)(15)(D). Pub. L. 115-123, Div. D, Sec. 40305(a), amended subpar. (D) by substituting "December 31, 2017" for "December 31, 2016".

Subsec. (j)(9). Pub. L. 115-123, Div. D, Sec. 40306(a), amended par. (9) by substituting "December 31, 2017" for "December 31, 2016".

Subsec. (l)(2)(D). Pub. L. 115-123, Div. D, Sec. 40412(a), amended subpar. (D) by substituting "January 1, 2018" for "January 1, 2017".

2017 - Subsec. (b)(2)(B)-(D). Pub. L. 115-97, Sec. 13203(b), amended par. (2) by striking subpar. (B) and by redesignating subpar. (C) and (D) as subpar. (B) and (C), respectively. Before being struck, subpar. (B) read as follows:

"(B) any property used in a farming business (within the meaning of section 263A(e)(4)),".

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Subsec. (b)(3)(G)-(I). Pub. L. 115-97, Sec. 13204(a)(2)(A), amended par. (3) by striking subpar. (G), (H), and (I) and by adding a new subpar. (G). Before being struck, they read as follows:

"(G) Qualified leasehold improvement property described in subsection (e)(6)."

"(H) Qualified restaurant property described in subsection (e)(7)."

"(I) Qualified retail improvement property described in subsection (e)(8)."

Subsec. (e)(3)(B)(vii). Pub. L. 115-97, Sec. 13203(a), amended clause (vii) by substituting "after December 31, 2017" for "after December 31, 2008, and which is placed in service before January 1, 2010".

Subsec. (e)(3)(E)(iv)-(ix). Pub. L. 115-97, Sec. 13204(a)(1)(A), amended subpar. (E) by striking clauses (iv), (v), and (ix), by inserting "and" at the end of clause (vii), by substituting a period for ", and" at the end of clause (viii), and by redesignating clauses (vi), (vii), and (viii) as clauses (iv), (v), and (vi), respectively. Before being struck, clauses (iv), (v) and (ix) read as follows:

"(iv) any qualified leasehold improvement property,".

"(v) any qualified restaurant property,".

"(ix) any qualified retail improvement property,".

Subsec. (e)(6)-(8). Pub. L. 115-97, Sec. 13204(a)(1)(B), struck par. (6), (7), and (8). Before being struck, they read as follows:

"(6) Qualified Leasehold Improvement Property.—For purposes of this subsection—

"(A) In General.—The term "qualified leasehold improvement property" means any improvement to an interior portion of a building which is nonresidential real property if—

"(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

"(I) by the lessee (or any sublessee) of such portion, or

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"(I) by the lessor of such portion,

"(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

"(iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

"(B) Certain Improvements Not Included.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator,

"(iii) any structural component benefitting a common area, or

"(iv) the internal structural framework of the building.

"(C) Definitions And Special Rules.—For purposes of this paragraph—

"(i) Commitment To Lease Treated As Lease.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

"(ii) Related Persons.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term "related persons" means—

"(I) members of an affiliated group (as defined in section 1504), and

"(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase "80 percent or more" shall be substituted for the phrase "more than 50 percent" each place it appears in such subsection.

"(D) Improvements Made By Lessor.—In the case of an improvement made by the person who was the lessor of such improvement when such improvement was placed in service, such improvement shall be qualified leasehold improvement property (if at all) only so long as

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such improvement is held by such person.

"(E) Exception For Changes In Form Of Business.—Property shall not cease to be qualified leasehold improvement property under subparagraph (D) by reason of—

"(i) death,

"(ii) a transaction to which section 381(a) applies,

"(iii) a mere change in the form of conducting the trade or business so long as the property is retained in such trade or business as qualified leasehold improvement property and the taxpayer retains a substantial interest in such trade or business,

"(iv) the acquisition of such property in an exchange described in section 1031, 1033, or 1038 to the extent that the basis of such property includes an amount representing the adjusted basis of other property owned by the taxpayer or a related person, or

"(v) the acquisition of such property by the taxpayer in a transaction described in section 332, 351, 361, 721, or 731 (or the acquisition of such property by the taxpayer from the transferee or acquiring corporation in a transaction described in such section), to the extent that the basis of the property in the hands of the taxpayer is determined by reference to its basis in the hands of the transferor or distributor."

"(7) Qualified Restaurant Property

"(A) In General.—The term "qualified restaurant property" means any section 1250 property which is—

"(i) a building, or

"(ii) an improvement to a building,

" if more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.

"(B) Exclusion From Bonus Depreciation.—Property described in this paragraph which is not qualified improvement property shall not be considered qualified property for purposes of subsection (k)."

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"(8) Qualified Retail Improvement Property

"(A) In General.—The term "qualified retail improvement property" means any improvement to an interior portion of a building which is nonresidential real property if—

"(i) such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and

"(ii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

"(B) Improvements Made By Owner.—In the case of an improvement made by the owner of such improvement, such improvement shall be qualified retail improvement property (if at all) only so long as such improvement is held by such owner. Rules similar to the rules under paragraph (6)(B) shall apply for purposes of the preceding sentence.

"(C) Certain Improvements Not Included.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator,

"(iii) any structural component benefitting a common area, or

"(iv) the internal structural framework of the building."

Subsec. (e)(6). Pub. L. 115-97, Sec. 13204(a)(4)(B)(i), added new par. (6).

Subsec. (g)(1)(D)-(F). Pub. L. 115-97, Sec. 13204(a)(3)(A)(i), amended par. (1) by striking "and" at the end of subpar. (D), by adding "and" at the end of subpar. (E), and by adding subpar. (F).

Subsec. (g)(1)(E)-(G). Pub. L. 115-97, Sec. 13205(a), amended par. (1) by striking "and" at the end of subpar. (E), by adding "and" at the end of subpar. (F), and by adding subpar. (G).

Subsec. (g)(2)(C). Pub. L. 115-97, Sec. 13204(a)(3)(C), amended the table in subpar. (C) by substituting clauses (iii) through (v) for

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clauses (iii) and (iv). Before being amended, the items read as follows:

"(iii) Nonresidential real and residential rental property..... 40 years.

"(iv) Any railroad grading or tunnel bore or water utility property..... 50 years."

Subsec. (g)(3)(B). Pub. L. 115-97, Sec. 13205(a)(3)(B), amended the table in subpar. (B) by substituting the items for (E)(iv) through (E)(vi) for the items for (E)(iv) through (E)(ix). Before being struck, items (E)(iv) through (E)(ix) read as follows:

"(E)(iv)..... 39

"(E)(v)..... 39

"(E)(vi)..... 20

"(E)(vii)..... 30

"(E)(viii)..... 35

"(E)(ix)..... 39"

Subsec. (g)(8). Pub. L. 115-97, Sec. 13204(a)(3)(A)(ii), amended subsec. (g) by adding par. (8).

Subsec. (i)(7)(B). Pub. L. 115-97, Sec. 13504(b)(1), amended subpar. (B) by striking the second sentence. Before being struck, it read as follows:

"Subparagraph (A) shall not apply in the case of a termination of a partnership under section 708(b)(1)(B)."

Subsec. (k). Pub. L. 115-97, Sec. 13201(b)(2)(B), amended the heading of subsec. (k) by removing "Acquired After December 31, 2007, And Before January 1, 2020".

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Subsec. (k)(1)(A). Pub. L. 115-97, Sec. 13201(a)(1)(A), amended subpar. (A) by substituting "the applicable percentage" for "50 percent".

Subsec. (k)(2)(A)(i)(II)-(V). Pub. L. 115-97, Sec. 13201(g)(1), amended clause (i) by striking "or" in subclause (II), by adding "or" after the comma in subclause (III), and by adding subclause (IV) and (V).

Subsec. (k)(2)(A)(i)(II)-(IV). Pub. L. 115-97, Sec. 13204(a)(4)(A), amended clause (i) by inserting "or" after the comma in subclause (II), by striking "or" at the end of subclause (III), and by striking (IV). Before being struck, subclause (IV) read as follows:

◆◆(IV) which is qualified improvement property."

Subsec. (k)(2)(A)(ii). Pub. L. 115-97, Sec. 13201(c)(1), amended clause (ii). Before amendment, it read as follows:

"(ii) the original use of which commences with the taxpayer, and".

Subsec. (k)(2)(A)(iii). Pub. L. 115-97, Sec. 13201(b)(1)(A)(i), amended clause (iii) by substituting "January 1, 2027" for "January 1, 2020" each place it appeared.

Subsec. (k)(2)(B)(i)(II). Pub. L. 115-97, Sec. 13201(b)(1)(A)(ii)(I), amended subclause (II) by substituting "January 1, 2028" for "January 1, 2021".

Subsec. (k)(2)(B)(i)(III). Pub. L. 115-97, Sec. 13201(b)(1)(A)(i), amended subclause (III) by substituting "January 1, 2027" for "January 1, 2020" each place it appeared.

Subsec. (k)(2)(B)(ii). Pub. L. 115-97, Sec. 13201(b)(1)(A)(ii)(II), amended the heading of clause (ii) by substituting "Pre-January 1, 2027" for "Pre-January 1, 2020".

Subsec. (k)(2)(B)(ii). Pub. L. 115-97, Sec. 13201(b)(1)(A)(i), amended clause (ii) by substituting "January 1, 2027" for "January 1, 2020" each place it appeared.

Subsec. (k)(2)(E)(i). Pub. L. 115-97, Sec. 13201(b)(1)(A)(i), amended clause (i) by substituting "January 1, 2027" for "January 1, 2020" each place it appeared.

Subsec. (k)(2)(E)(ii). Pub. L. 115-97, Sec. 13201(c)(2), amended clause (ii). Before amendment, it read as follows:

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"(ii) Sale-Leasebacks.—For purposes of clause (iii) and subparagraph (A)(ii), if property is—

"(I) originally placed in service by a person, and

"(II) sold and leased back by such person within 3 months after the date such property was originally placed in service,

"such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II)."

Subsec. (k)(2)(E)(iii)(I). Pub. L. 115-97, Sec. 13201(c)(3), amended subclause (I). Before amendment, it read as follows:

"(I) property is originally placed in service by the lessor of such property,".

Subsec. (k)(2)(F)(iii). Pub. L. 115-97, Sec. 13201(f), amended clause (iii) by substituting "acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017" for "placed in service by the taxpayer after December 31, 2017".

"(I) property is originally placed in service by the lessor of such property,".

Subsec. (k)(2)(H). Pub. L. 115-97, Sec. 13201(g)(2), amended par. (2) by adding subpar. (H).

Subsec. (k)(3). Pub. L. 115-97, Sec. 13204(a)(4)(B)(ii), amended subsec. (k) by striking par. (3). Before being struck, it read as follows:

"(3) Qualified Improvement Property.—For purposes of this subsection—

"(A) In General.—The term "qualified improvement property" means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

"(B) Certain Improvements Not Included.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

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"(ii) any elevator or escalator, or

"(iii) the internal structural framework of the building."

Subsec. (k)(4). Pub. L. 115-97, Sec. 12001(b)(13), amended subsec. (k) by striking par. (4). Before being struck, it read as follows:

"(4) Election To Accelerate AMT Credits In Lieu Of Bonus Depreciation

"(A) In General.—If a corporation elects to have this paragraph apply for any taxable year—

"(i) paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year,

"(ii) the applicable depreciation method used under this section with respect to such property shall be the straight line method, and

"(iii) the limitation imposed by section 53(c) for such taxable year shall be increased by the bonus depreciation amount which is determined for such taxable year under subparagraph (B).

"(B) Bonus Depreciation Amount.—For purposes of this paragraph—

"(i) In General.—The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—

"(I) the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property (and, in the case of any such property which is a passenger automobile (as defined in section 280F(d)(5)), if paragraph (2)(F) applied to such automobile), over

"(II) the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraphs (1) and (2)(F) did not apply to any such property.

"The aggregate amounts determined under subclauses (I) and (II) shall be determined without regard to any election made under subparagraph (A) or subsection (b)(2)(D), (b)(3)(D), or (g)(7).

"(ii) Limitation.—The bonus depreciation amount for any taxable year shall not exceed the lesser of—

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"(I) 50 percent of the minimum tax credit under section 53(b) for the first taxable year ending after December 31, 2015, or

"(II) The minimum tax credit under section 53(b) for such taxable year determined by taking into account only the adjusted net minimum tax for taxable years ending before January 1, 2016 (determined by treating credits as allowed on a first-in, first-out basis).

"(iii) Aggregation Rule.—All corporations which are treated as a single employer under section 52(a) shall be treated—

"(I) as 1 taxpayer for purposes of this paragraph, and

"(II) as having elected the application of this paragraph if any such corporation so elects.

"(C) Credit Refundable.—For purposes of section 6401(b), the aggregate increase in the credits allowable under part IV of subchapter A for any taxable year resulting from the application of this paragraph shall be treated as allowed under subpart C of such part (and not any other subpart).

"(D) Other Rules.—

"(i) Election.—Any election under this paragraph may be revoked only with the consent of the Secretary.

"(ii) Partnerships With Electing Partners.—In the case of a corporation which is a partner in a partnership and which makes an election under subparagraph (A) for the taxable year, for purposes of determining such corporation's distributive share of partnership items under section 702 for such taxable year—

"(I) paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year, and

"(II) the applicable depreciation method used under this section with respect to such property shall be the straight line method.

"(iii) Certain Partnerships.—In the case of a partnership in which more than 50 percent of the capital and profits interests are owned (directly or indirectly) at all times during the taxable year by 1 corporation (or by corporations treated as 1 taxpayer under subparagraph (B)(iii)), each partner shall compute its bonus depreciation amount under clause (i) of subparagraph (B) by taking into account its distributive share of the amounts determined by the partnership under subclauses (I) and (II) of such clause for the taxable year of the partnership ending with or within the taxable year of the partner."

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Subsec. (k)(5)(A). Pub. L. 115-97, Sec. 13201(b)(1)(B), amended subpar. (A) by substituting "January 1, 2027" for "January 1, 2020".

Subsec. (k)(5)(A)(i). Pub. L. 115-97, Sec. 13201(a)(1)(B), amended clause (i) by substituting "the applicable percentage" for "50 percent".

Subsec. (k)(5)(F). Pub. L. 115-97, Sec. 13201(a)(3)(A), amended par. (5) by striking subpar. (F). Before being struck, it read as follows:

"(F) Phase Down.—In the case of a specified plant which is planted after December 31, 2017 (or is grafted to a plant that has already been planted before such date), subparagraph (A)(i) shall be applied by substituting for '50 percent'—

"(i) in the case of a plant which is planted (or so grafted) in 2018, '40 percent', and

"(ii) in the case of a plant which is planted (or so grafted) during 2019, '30 percent'."

Subsec. (k)(6). Pub. L. 115-97, Sec. 13201(a)(2), amended par. (6). Before amendment, it read as follows:

"(6) Phase Down.—In the case of qualified property placed in service by the taxpayer after December 31, 2017, paragraph (1)(A) shall be applied by substituting for '50 percent'—

"(A) in the case of property placed in service in 2018 (or in the case of property placed in service in 2019 and described in paragraph (2)(B) or (C) (determined by substituting '2019' for '2020' in paragraphs (2)(B)(i)(III) and (ii) and paragraph (2)(E)(I)), '40 percent',

"(B) in the case of property placed in service in 2019 (or in the case of property placed in service in 2020 and described in paragraph (2)(B) or (C)), '30 percent'."

Subsec. (k)(8). Pub. L. 115-97, Sec. 13201(a)(3)(B), amended subsec. (k) by adding par. (8).

Subsec. (k)(9). Pub. L. 115-97, Sec. 13201(d), amended subsec. (k) by adding par. (9).

Subsec. (k)(10). Pub. L. 115-97, Sec. 13201(e), amended subsec. (k) by adding par. (10).

2015 - Subsec. (e)(3)(A)(i)(I). Pub. L. 114-113, Div. Q, Sec. 165(a)(1), amended subclause (I) by substituting "January 1, 2017" for "January 1, 2015".

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Subsec. (e)(3)(A)(i)(II). Pub. L. 114-113, Div. Q, Sec. 165(a)(2), amended subclause (II) by substituting "December 31, 2016" for "December 31, 2014"

Subsec. (e)(3)(E)(iv). Pub. L. 114-113, Div. Q, Sec. 123(a), amended clause (iv) by striking "placed in service before January 1, 2015".

Subsec. (e)(3)(E)(v). Pub. L. 114-113, Div. Q, Sec. 123(a), amended clause (v) by striking "placed in service before January 1, 2015".

Subsec. (e)(3)(E)(ix). Pub. L. 114-113, Div. Q, Sec. 123(b), amended clause (ix) by striking "placed in service after December 31, 2008, and before January 1, 2015".

Subsec. (e)(6). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(A), amended par. (6) by redesignating subpar. (A) and (B) as subpar. (D) and (E), respectively, by striking all that precedes subpar. (D), as redesignated, and inserting the language preceding subpar. (D). Before being struck, the language preceding subpar. (D), as redesignated, read as follows:

"(6) Qualified Leasehold Improvement Property.—The term "qualified leasehold improvement property" has the meaning given such term in section 168(k)(3) except that the following special rules shall apply:".

Subsec. (e)(7)(B). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(B), amended subpar. (B) by substituting "qualified improvement property" for "qualified leasehold improvement property".

Subsec. (e)(8)(D). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(C), amended par. (8) by striking subpar. (D). Before being struck, it read as follows:

"(D) Exclusion From Bonus Depreciation.—Property described in this paragraph which is not qualified leasehold improvement property shall not be considered qualified property for purposes of subsection (k)."

Subsec. (i)(15)(D). Pub. L. 114-113, Div. Q, Sec. 166(a), amended subpar. (D) by substituting "December 31, 2016" for "December 31, 2014".

Subsec. (j)(8). Pub. L. 114-113, Div. Q, Sec. 167(a), amended par. (8) by substituting "December 31, 2016" for "December 31, 2014".

Subsec. (j)(8)-(9). Pub. L. 114-113, Div. Q, Sec. 167(b), redesignated par. (8) as par. (9) and added a new par. (8).

Subsec. (k). Pub. L. 114-113, Div. Q, Sec. 143(a)(4)(A), amended the heading of subsec. (k) by substituting "January 1, 2016" for "January

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1, 2015".

Subsec. (k). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(J), amended the heading of subsec. (k) by substituting "And Before January 1, 2020" for "And Before January 1, 2016".

Subsec. (k)(2). Pub. L. 114-113, Div. Q, Sec. 143(a)(1)(B), amended par. (2) by substituting "January 1, 2016" for "January 1, 2015" each place it appeared.

Subsec. (k)(2). Pub. L. 114-113, Div. Q, Sec. 143(b)(1), amended par. (2). Before amendment, it read as follows:

"(2) Qualified Property.—For purposes of this subsection—

"(A) In General.—The term "qualified property" means property—

"(i)(I) to which this section applies which has a recovery period of 20 years or less,

"(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,

"(III) which is water utility property, or

"(IV) which is qualified leasehold improvement property,

"(ii) the original use of which commences with the taxpayer after December 31, 2007,

"(iii) which is—

"(I) acquired by the taxpayer after December 31, 2007, and before January 1, 2016, but only if no written binding contract for the acquisition was in effect before January 1, 2008, or

"(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after December 31, 2007, and before January 1, 2016, and

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"(iv) which is placed in service by the taxpayer before January 1, 2016, or, in the case of property described in subparagraph (B) or (C), before January 1, 2017.

"(B) Certain Property Having Longer Production Periods Treated As Qualified Property

"(i) In General.—The term "qualified property" includes any property if such property—

"(I) meets the requirements of clauses (i), (ii), (iii), and (iv) of subparagraph (A),

"(II) has a recovery period of at least 10 years or is transportation property, and

"(III) is subject to section 263A, and

"(IV) meets the requirements of clause (iii) of section 263A(f)(1)(B) (determined as if such clause also applies to property which has a long useful life (within the meaning of section 263A(f))).

"(ii) Only Pre-January 1, 2016, Basis Eligible For Additional Allowance.—In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before January 1, 2016.

"(iii) Transportation Property.—For purposes of this subparagraph, the term "transportation property" means tangible personal property used in the trade or business of transporting persons or property.

"(iv) Application Of Subparagraph.—This subparagraph shall not apply to any property which is described in subparagraph (C).

"(C) Certain Aircraft.—The term "qualified property" includes property—

"(i) which meets the requirements of clauses (ii), (iii), and (iv) of subparagraph (A),

"(ii) which is an aircraft which is not a transportation property (as defined in subparagraph (B)(iii)) other than for agricultural or firefighting purposes,

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"(iii) which is purchased and on which such purchaser, at the time of the contract for purchase, has made a nonrefundable deposit of the lesser of—

"(I) 10 percent of the cost, or

"(II) \$100,000, and

"(iv) which has—

"(I) an estimated production period exceeding 4 months, and

"(II) a cost exceeding \$200,000.

"(D) Exceptions.—

"(i) Alternative Depreciation Property.—The term "qualified property" shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

"(I) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

"(II) after application of section 280F(b) (relating to listed property with limited business use).

"(ii) Qualified New York Liberty Zone Leasehold Improvement Property.—The term "qualified property" shall not include any qualified New York Liberty Zone leasehold improvement property (as defined in section 1400L(c)(2)).

"(iii) Election Out.—If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

"(E) Special Rules.—

"(i) Self-Constructed Property.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer's own use, the requirements of clause (iii) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after December 31, 2007, and before January 1, 2016.

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"(ii) Sale-Leasebacks.—For purposes of clause (iii) and subparagraph (A)(ii), if property is—

"(I) originally placed in service after December 31, 2007, by a person, and

"(II) sold and leased back by such person within 3 months after the date such property was originally placed in service,

"such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

"(iii) Syndication.—For purposes of subparagraph (A)(ii), if—

"(I) property is originally placed in service after December 31, 2007, by the lessor of such property,

"(II) such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and

"(III) the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service,

"such property shall be treated as originally placed in service not earlier than the date of such last sale.

"(iv) Limitations Related To Users And Related Parties.—The term "qualified property" shall not include any property if—

"(I) the user of such property (as of the date on which such property is originally placed in service) or a person which is related (within the meaning of section 267(b) or 707(b)) to such user or to the taxpayer had a written binding contract in effect for the acquisition of such property at any time on or before December 31, 2007, or

"(II) in the case of property manufactured, constructed, or produced for such user's or person's own use, the manufacture, construction, or production of such property began at any time on or before December 31, 2007.

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"(F) Coordination With Section 280F.—For purposes of section 280F—

"(i) Automobiles.—In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$8,000.

"(ii) Listed Property.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

"(G) Deduction Allowed In Computing Minimum Tax For purposes of determining alternative minimum taxable income under section 55, the deduction under subsection (a) for qualified property shall be determined under this section without regard to any adjustment under section 56."

Subsec. (k)(2)(A)(iv). Pub. L. 114-113, Div. Q, Sec. 143(a)(1)(A), amended clause (iv) by substituting "January 1, 2017" for "January 1, 2016".

Subsec. (k)(2)(B)(ii). Pub. L. 114-113, Div. Q, Sec. 143(a)(4)(B), amended the heading of clause (ii) by substituting "pre-January 1, 2016" for "pre-January 1, 2015".

Subsec. (k)(3). Pub. L. 114-113, Div. Q, Sec. 143(b)(2), amended par. (3). Before being amended, it read as follows:

"(3) Qualified Leasehold Improvement Property.—For purposes of this subsection—

"(A) In General.—The term "qualified leasehold improvement property" means any improvement to an interior portion of a building which is nonresidential real property if—

"(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

"(I) by the lessee (or any sublessee) of such portion, or

"(II) by the lessor of such portion,

"(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

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"(iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

"(B) Certain Improvements Not Included.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator,

"(iii) any structural component benefiting a common area, and

"(iv) the internal structural framework of the building.

"(C) Definitions And Special Rules.—For purposes of this paragraph—

"(i) Commitment To Lease Treated As Lease.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

"(ii) Related Persons.—A lease between related persons shall not be considered a lease.

"For purposes of the preceding sentence, the term "related persons" means—

"(i) members of an affiliated group (as defined in section 1504), and

"(ii) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase '80 percent or more' shall be substituted for the phrase "more than 50 percent" each place it appears in such subsection."

Subsec. (k)(4)(D)(iii)(II). Pub. L. 114-113, Div. Q, Sec. 143(a)(3)(A), amended subclause (II) by substituting "January 1, 2016" for "January 1, 2015".

Subsec. (k)(4)(L). Pub. L. 114-113, Div. Q, Sec. 143(a)(3)(B), added subpar. (L).

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Subsec. (k)(4). Pub. L. 114-113, Div. Q, Sec. 143(b)(3), amended par. (4) (as amended by Act Sec. 143(a)). Before amendment, it read as follows:

"(4) Election To Accelerate The AMT And Research Credits In Lieu Of Bonus Depreciation

"(A) In General.—If a corporation elects to have this paragraph apply for the first taxable year of the taxpayer ending after March 31, 2008, in the case of such taxable year and each subsequent taxable year—

"(i) paragraph (1) shall not apply to any eligible qualified property placed in service by the taxpayer,

"(ii) the applicable depreciation method used under this section with respect to such property shall be the straight line method, and

"(iii) each of the limitations described in subparagraph (B) for any such taxable year shall be increased by the bonus depreciation amount which is—

"(I) determined for such taxable year under subparagraph (C), and

"(II) allocated to such limitation under subparagraph (E).

"(B) Limitations To Be Increased.—The limitations described in this subparagraph are—

"(i) the limitation imposed by section 38(c), and

"(ii) the limitation imposed by section 53(c).

"(C) Bonus Depreciation Amount.—For purposes of this paragraph—

"(i) In General.—The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—

"(I) the aggregate amount of depreciation which would be allowed under this section for eligible qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property, over

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"(II) the aggregate amount of depreciation which would be allowed under this section for eligible qualified property placed in service by the taxpayer during such taxable year if paragraph (1) did not apply to any such property.

"The aggregate amounts determined under subclauses (I) and (II) shall be determined without regard to any election made under subsection (b)(2)(D), (b)(3)(D), or (g)(7) and without regard to subparagraph (A)(ii).

"(ii) Maximum Amount.—The bonus depreciation amount for any taxable year shall not exceed the maximum increase amount under clause (iii), reduced (but not below zero) by the sum of the bonus depreciation amounts for all preceding taxable years.

"(iii) Maximum Increase Amount.—For purposes of clause (ii), the term 'maximum increase amount' means, with respect to any corporation, the lesser of—

"(I) \$30,000,000, or

"(II) 6 percent of the sum of the business credit increase amount, and the AMT credit increase amount, determined with respect to such corporation under subparagraph (E).

"(iv) Aggregation Rule.—All corporations which are treated as a single employer under section 52(a) shall be treated—

"(I) as 1 taxpayer for purposes of this paragraph, and

"(II) as having elected the application of this paragraph if any such corporation so elects.

"(D) Eligible Qualified Property.—For purposes of this paragraph, the term "eligible qualified property" means qualified property under paragraph (2), except that in applying paragraph (2) for purposes of this paragraph—

"(i) "March 31, 2008" shall be substituted for "December 31, 2007" each place it appears in subparagraph (A) and clauses (i) and (ii) of subparagraph (E) thereof,

"(ii) "April 1, 2008" shall be substituted for "January 1, 2008" in subparagraph (A)(iii)(I) thereof, and

"(iii) only adjusted basis attributable to manufacture, construction, or production—

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"(I) after March 31, 2008, and before January 1, 2010, and

"(II) after December 31, 2010, and before January 1, 2016, shall be taken into account under subparagraph (B)(ii) thereof.

"(E) Allocation Of Bonus Depreciation Amounts.—

"(i) In General.—Subject to clauses (ii) and (iii), the taxpayer shall, at such time and in such manner as the Secretary may prescribe, specify the portion (if any) of the bonus depreciation amount for the taxable year which is to be allocated to each of the limitations described in subparagraph (B) for such taxable year.

"(ii) Limitation On Allocations.—The portion of the bonus depreciation amount which may be allocated under clause (i) to the limitations described in subparagraph (B) for any taxable year shall not exceed—

"(I) in the case of the limitation described in subparagraph (B)(i), the excess of the business credit increase amount over the bonus depreciation amount allocated to such limitation for all preceding taxable years, and

"(II) in the case of the limitation described in subparagraph (B)(ii), the excess of the AMT credit increase amount over the bonus depreciation amount allocated to such limitation for all preceding taxable years.

"(iii) Business Credit Increase Amount.—For purposes of this paragraph, the term "business credit increase amount" means the amount equal to the portion of the credit allowable under section 38 (determined without regard to subsection (c) thereof) for the first taxable year ending after March 31, 2008, which is allocable to business credit carryforwards to such taxable year which are—

"(I) from taxable years beginning before January 1, 2006, and

"(II) properly allocable (determined under the rules of section 38(d)) to the research credit determined under section 41(a).

"(iv) AMT Credit Increase Amount For purposes of this paragraph, the term "AMT credit increase amount" means the amount equal to the portion of the minimum tax credit under section 53(b) for the first taxable year ending after March 31, 2008, determined by taking into account only the adjusted net minimum tax for taxable years beginning before January 1, 2006. For purposes of the preceding sentence, credits shall be treated as allowed on a first-in, first-out basis.

"(F) Credit Refundable.—For purposes of section 6401(b), the aggregate increase in the credits allowable under part IV of subchapter A for any taxable year resulting from the application of this paragraph shall be treated as allowed under subpart C of such part (and not any other subpart).

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"(G) Other Rules.—

"(i) Election.—Any election under this paragraph (including any allocation under subparagraph (E)) may be revoked only with the consent of the Secretary.

"(ii) Partnerships With Electing Partners.—In the case of a corporation making an election under subparagraph (A) and which is a partner in a partnership, for purposes of determining such corporation's distributive share of partnership items under section 702—

"(I) paragraph (1) shall not apply to any eligible qualified property, and

"(II) the applicable depreciation method used under this section with respect to such property shall be the straight line method.

"(iii) Special Rule For Passenger Aircraft.—In the case of any passenger aircraft, the written binding contract limitation under paragraph (2)(A)(iii)(I) shall not apply for purposes of subparagraphs (C)(i)(I) and (D).

"(H) Special Rules For Extension Property.—

"(i) Taxpayers Previously Electing Acceleration.—In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008—

"(I) the taxpayer may elect not to have this paragraph apply to extension property, but

"(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer a separate bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is extension property and to eligible qualified property which is not extension property.

"(ii) Taxpayers Not Previously Electing Acceleration.—In the case of a taxpayer who did not make the election under subparagraph (A) for its first taxable year ending after March 31, 2008—

"(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2008, and each subsequent taxable year, and

168(k)(4)(H)(ii)(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to eligible qualified property which is extension property.

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"(iii) Extension Property.—For purposes of this subparagraph, the term "extension property" means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 1201(a) of the American Recovery and Reinvestment Tax Act of 2009 (and the application of such extension to this paragraph pursuant to the amendment made by section 1201(b)(1) of such Act).

"(l) Special Rules For Round 2 Extension Property.—

"(i) In General.—In the case of round 2 extension property, this paragraph shall be applied without regard to—

"(l) the limitation described in subparagraph (B)(i) thereof, and

"(ll) the business credit increase amount under subparagraph (E)(iii) thereof.

"(ii) Taxpayers Previously Electing Acceleration.—In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, or a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

"(l) the taxpayer may elect not to have this paragraph apply to round 2 extension property, but

"(ll) if the taxpayer does not make the election under subclause (l), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 2 extension property.

"The amounts described in subclause (ll) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 2 extension property.

"(iii) Taxpayers Not Previously Electing Acceleration.—In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

"(l) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2010, and each subsequent taxable year, and

"(ll) if the taxpayer makes the election under subclause (l), this paragraph shall only apply to eligible qualified property which is round 2 extension property.

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"(iv) Round 2 Extension Property.—For purposes of this subparagraph, the term "round 2 extension property" means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 401(a) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (and the application of such extension to this paragraph pursuant to the amendment made by section 401(c)(1) of such Act).

"(J) Special Rules For Round 3 Extension Property.—

"(i) In General.—In the case of round 3 extension property, this paragraph shall be applied without regard to—

"(I) the limitation described in subparagraph (B)(i) thereof, and

"(II) the business credit increase amount under subparagraph (E)(iii) thereof.

"(ii) Taxpayers Previously Electing Acceleration.—In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008, or a taxpayer who made the election under subparagraph (I)(iii) for its first taxable year ending after December 31, 2010—

"(I) the taxpayer may elect not to have this paragraph apply to round 3 extension property, but

"(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 3 extension property.

"The amounts described in subclause (II) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 3 extension property.

"(iii) Taxpayers Not Previously Electing Acceleration.—In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008, nor made the election under subparagraph (I)(iii) for its first taxable year ending after December 31, 2010—

"(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2012, and each subsequent taxable year, and

"(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to eligible qualified property which is round 3 extension property.

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"(iv) Round 3 Extension Property.—For purposes of this subparagraph, the term 'round 3 extension property' means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 331(a) of the American Taxpayer Relief Act of 2012 (and the application of such extension to this paragraph pursuant to the amendment made by section 331(c)(1) of such Act).

"(K) Special Rules For Round 4 Extension Property.—

"(i) In General.—In the case of round 4 extension property, in applying this paragraph to any taxpayer—

"(I) the limitation described in subparagraph (B)(i) and the business credit increase amount under subparagraph (E)(iii) thereof shall not apply, and

"(II) the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed separately from amounts computed with respect to eligible qualified property which is not round 4 extension property.

"(ii) Election.—

"(I) A taxpayer who has an election in effect under this paragraph for round 3 extension property shall be treated as having an election in effect for round 4 extension property unless the taxpayer elects to not have this paragraph apply to round 4 extension property.

"(II) A taxpayer who does not have an election in effect under this paragraph for round 3 extension property may elect to have this paragraph apply to round 4 extension property.

"(iii) Round 4 Extension Property.—For purposes of this subparagraph, the term "round 4 extension property" means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 125(a) of the Tax Increase Prevention Act of 2014 (and the application of such extension to this paragraph pursuant to the amendment made by section 125(c) of such Act).

"(L) Special Rules For Round 5 Extension Property.—

"(i) In General.—In the case of round 5 extension property, in applying this paragraph to any taxpayer—

"(I) the limitation described in subparagraph (B)(i) and the business credit increase amount under subparagraph (E)(iii) thereof shall not apply, and

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"(II) the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed separately from amounts computed with respect to eligible qualified property which is not round 5 extension property.

"(ii) Election.—

"(I) A taxpayer who has an election in effect under this paragraph for round 4 extension property shall be treated as having an election in effect for round 5 extension property unless the taxpayer elects to not have this paragraph apply to round 5 extension property.

"(II) A taxpayer who does not have an election in effect under this paragraph for round 4 extension property may elect to have this paragraph apply to round 5 extension property.

"(iii) Round 5 Extension Property.—For purposes of this subparagraph, the term 'round 5 extension property' means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 143(a)(1) of the Protecting Americans from Tax Hikes Act of 2015 (and the application of such extension to this paragraph pursuant to the amendment made by section 143(a)(3) of such Act)."

Subsec. (k)(5). Pub. L. 114-113, Div. Q, Sec. 143(b)(4)(A), struck par. (5). Before being struck, it read as follows:

"(5) Special Rule For Property Acquired During Certain Pre-2012 Periods.—In the case of qualified property acquired by the taxpayer (under rules similar to the rules of clauses (ii) and (iii) of paragraph (2)(A) after September 8, 2010, and before January 1, 2012, and which is placed in service by the taxpayer before January 1, 2012 (January 1, 2013, in the case of property described in subparagraph (2)(B) or (2)(C)), paragraph (1)(A) shall be applied by substituting "100 percent" for "50 percent"."

Subsec. (k)(5). Pub. L. 114-113, Div. Q, Sec. 143(b)(4)(B), added a new par. (5).

Subsec. (k)(6). Pub. L. 114-113, Div. Q, Sec. 143(b)(5), added par. (6).

Subsec. (k)(7). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(D), added par. (7).

Subsec. (l)(2)(D). Pub. L. 114-113, Div. Q, Sec. 189(a), amended subpar. (D)

Subsec. (l)(3)(A). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(E)(i), amended subpar. (A) by substituting "subsection "(k)" for "section 168(k)".

Subsec. (l)(3)(B). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(E)(ii), amended subpar. (B) by substituting "subsection (k)(2)(D)" for "section

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168(k)(2)(D)(i)".

Subsec. (l)(4). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(F), amended par. (4) by substituting "subsection (k)(2)(E) shall apply." for "subparagraph (E) of section 168(k)(2) shall apply, except that such subparagraph shall be applied—(A) by substituting "the date of the enactment of subsection (l)" for "December 31, 2007" each place it appears therein, and (B) by substituting "qualified second generation biofuel plant property" for "qualified property" in clause (iv) thereof."

Subsec. (l)(5). Pub. L. 114-113, Div. Q, Sec. 143(b)(6)(G), amended par. (5) by substituting "subsection (k)(2)(G)" for "section 168(k)(2)(G)".

2014 - Subsec. (b)(5). Pub. L. 113-295, Div. A, Sec. 210(g)(2)(A), amended par. (5) by substituting "(2)(D)" for "(2)(C)".

Subsec. (e)(3)(A)(i)(I). Pub. L. 113-295, Div. A, Sec. 121(a)(1), amended subclause (I) by substituting "January 1, 2015" for "January 1, 2014".

Subsec. (e)(3)(A)(i)(II). Pub. L. 113-295, Div. A, Sec. 121(a)(2), amended subclause (II) by substituting "December 31, 2014" for "December 31, 2013".

Subsec. (e)(3)(E)(iv). Pub. L. 113-295, Div. A, Sec. 122(a), amended clause (iv) by substituting "January 1, 2015" for "January 1, 2014".

Subsec. (e)(3)(E)(v). Pub. L. 113-295, Div. A, Sec. 122(a), amended clause (v) by substituting "January 1, 2015" for "January 1, 2014".

Subsec. (e)(3)(E)(ix). Pub. L. 113-295, Div. A, Sec. 122(a), amended clause (ix) by substituting "January 1, 2015" for "January 1, 2014".

Subsec. (e)(7)(B). Pub. L. 113-295, Div. A, Sec. 211(b), amended subpar. (B) by inserting "which is not qualified leasehold improvement property" after "Property described in this paragraph".

Subsec. (e)(8)(D). Pub. L. 113-295, Div. A, Sec. 211(b), amended subpar. (D) by inserting "which is not qualified leasehold improvement property" after "Property described in this paragraph".

Subsec. (i)(15)(D). Pub. L. 113-295, Div. A, Sec. 123(a), amended subpar. (D) by substituting "December 31, 2014" for "December 31, 2013".

Subsec. (i)(18)(A)(ii). Pub. L. 113-295, Div. A, Sec. 210(c)(1), amended clause (ii) by substituting "16 years" for "10 years".

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Subsec. (l)(19)(A)(ii). Pub. L. 113-295, Div. A, Sec. 210(c)(2), amended clause (ii) by substituting "16 years" for "10 years".

Subsec. (j)(8). Pub. L. 113-295, Div. A, Sec. 124(a), amended par. (8) by substituting "December 31, 2014" for "December 31, 2013".

Subsec. (k). Pub. L. 113-295, Div. A, Sec. 125(d)(1), amended the heading of subsec. (k) by substituting "January 1, 2015" for "January 1, 2014".

Subsec. (k)(2). Pub. L. 113-295, Div. A, Sec. 125(a)(2), amended par. (2) by substituting "January 1, 2015" for "January 1, 2014" each place it appeared.

Subsec. (k)(2)(A)(iv). Pub. L. 113-295, Div. A, Sec. 125(a)(1), amended clause (iv) by substituting "January 1, 2016" for "January 1, 2015".

Subsec. (k)(2)(B)(i)(IV). Pub. L. 113-295, Div. A, Sec. 214(b), amended subclause (IV) by substituting "clause also applies" for "clauses also apply".

Subsec. (k)(2)(B)(ii). Pub. L. 113-295, Div. A, Sec. 125(d)(2), amended the heading of clause (ii) by substituting "Pre-January 1, 2015" for "Pre-January 1, 2014".

Subsec. (k)(4)(C)(i). Pub. L. 113-295, Div. A, Sec. 210(g)(2)(B), amended clause (i) by substituting "(b)(2)(D)" for "(b)(2)(C)".

Subsec. (k)(4)(D)(iii)(II). Pub. L. 113-295, Div. A, Sec. 125(c)(1), amended subclause (II) by substituting "January 1, 2015" for "January 1, 2014".

Subsec. (k)(4)(E)(iv). Pub. L. 113-295, Div. A, Sec. 212(b), amended clause (iv) by substituting "adjusted net minimum tax" for "adjusted minimum tax".

Subsec. (k)(4)(J)(iii). Pub. L. 113-295, Div. A, Sec. 202(e), amended clause (iii) by substituting "its first taxable year" for "any taxable year".

Subsec. (k)(4)(K). Pub. L. 113-295, Div. A, Sec. 125(c)(2), amended par. (4) by adding subsec. (K).

Subsec. (l)(2)(D). Pub. L. 113-295, Div. A, Sec. 157(a), amended subpar. (D) by substituting "January 1, 2015" for "January 1, 2014".

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Subsec. (m)(2)(B)(i). Pub. L. 113-295, Div. A, Sec. 210(d), amended clause (i) by substituting "subsection (k) (determined without regard to paragraph (4) thereof" for "section 168(k)".

Subsec. (n)(2)(C). Pub. L. 113-295, Div. A, Sec. 125(d)(3), amended subpar. (C) by substituting "January 1, 2015" for "January 1, 2014".

2013 - Subsec. (e)(3)(E)(iv). Pub. L. 112-240, Sec. 311(a), amended clause (iv) by substituting "January 1, 2014" for "January 1, 2012".

Subsec. (e)(3)(E)(v). Pub. L. 112-240, Sec. 311(a), amended clause (v) by substituting "January 1, 2014" for "January 1, 2012".

Subsec. (e)(3)(E)(ix). Pub. L. 112-240, Sec. 311(a), amended clause (ix) by substituting "January 1, 2014" for "January 1, 2012".

Subsec. (i)(9)(A)(ii). Pub. L. 112-240, Sec. 331(d), amended clause (ii) by inserting "(respecting all elections made by the taxpayer under this section)" after "such property".

Subsec. (i)(15)(D). Pub. L. 112-240, Sec. 312(a), amended subpar. (D) by substituting "December 31, 2013" for "December 31, 2011".

Subsec. (j)(8). Pub. L. 112-240, Sec. 313(a), amended par. (8) by substituting "December 31, 2013" for "December 31, 2011".

Subsec. (k). Pub. L. 112-240, Sec. 331(e)(1), amended the heading for subsec. (k) by substituting "January 1, 2014" for "January 1, 2013".

Subsec. (k)(2). Pub. L. 112-240, Sec. 331(a)(2), amended par. (2) by substituting "January 1, 2014" for "January 1, 2013" each place it appeared.

Subsec. (k)(2)(A)(iv). Pub. L. 112-240, Sec. 331(a)(1), amended clause (iv) by substituting "January 1, 2015" for "January 1, 2014".

Subsec. (k)(2)(B)(ii). Pub. L. 112-240, Sec. 331(e)(2), amended the heading for clause (ii) by substituting "Pre-January 1, 2014" for "Pre-January 1, 2013".

Subsec. (k)(4)(D)(iii)(II). Pub. L. 112-240, Sec. 331(c)(1), amended subclause (II) by substituting "2014" for "2013".

Subsec. (k)(4)(J). Pub. L. 112-240, Sec. 331(c)(2), added subpar. (J).

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Subsec. (l). Pub.L. 112-240, Sec. 410(b)(2)(C), amended the heading for subsec. (l) by substituting "Second Generation" for "Cellulosic".

Subsec. (l). Pub. L. 112-240, Sec. 410(b)(2)(A), amended subsec. (l) by substituting "second generation biofuel" for "cellulosic biofuel" each place it appeared.

Subsec. (l)(2). Pub. L. 112-240, Sec. 410(b)(2)(D), amended the heading for par. (2) by substituting "Second Generation" for "Cellulosic".

Subsec. (l)(2)(A). Pub. L. 112-240, Sec. 410(b)(1), amended subpar. (A) by substituting "solely to produce second generation biofuel (as defined in section 40(b)(6)(E))" for "solely to produce cellulosic biofuel".

Subsec. (l)(2)(D). Pub. L. 112-240, Sec. 410(a)(1), amended subpar. (D) by substituting "January 1, 2014" for "January 1, 2013".

Subsec. (l)(3). Pub. L. 112-240, Sec. 410(b)(2)(B), struck par. (3). Before being struck, it read as follows:

"(3) Cellulosic Biofuel.—The term "cellulosic biofuel" means any liquid fuel which is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis."

Subsec. (l)(4)-(8). Pub. L. 112-240, Sec. 410(b)(2)(B), amended subsec. (l) by redesignating par. (4)-(8) as par. (3)-(7), respectively.

Subsec. (n)(2)(C). Pub. L. 112-240, Sec. 331(e)(3), amended par. (2) by substituting "January 1, 2014" for "January 1, 2013".

2010 - Subsec. (e)(3)(E)(iv). Pub. L. 111-312, Sec. 737(a), amended clause (iv) by substituting "January 1, 2012" for "January 1, 2010".

Subsec. (e)(3)(E)(v). Pub. L. 111-312, Sec. 737(a), amended clause (v) by substituting "January 1, 2012" for "January 1, 2010".

Subsec. (e)(3)(E)(ix). Pub. L. 111-312, Sec. 737(a), amended clause (ix) by substituting "January 1, 2012" for "January 1, 2010".

Subsec. (e)(7)(A)(i). Pub. L. 111-312, Sec. 737(b)(1), amended clause (i) by striking "if such building is placed in service after December 31, 2008, and before January 1, 2010," after "building,".

Subsec. (e)(8)(E). Pub. L. 111-312, Sec. 737(b)(2), amended par. (8) by striking subpar. (E). Before being struck, it read as follows:

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"(E) Termination.—Such term shall not include any improvement placed in service after December 31, 2009."

Subsec. (i)(15)(D). Pub. L. 111-312, Sec. 738(a), amended subpar. (D) by substituting "December 31, 2011" for "December 31, 2009".

Subsec. (j)(8). Pub. L. 111-312, Sec. 739(a), amended par. (8) by substituting "December 31, 2011" for "December 31, 2009".

Subsec. (k). Pub. L. 111-312, Sec. 401(d)(1), amended the heading of subsec. (k) by substituting "January 1, 2013" for "January 1, 2011".

Subsec. (k)(2). Pub. L. 111-312, Sec. 401(a)(2), amended par. (2) by substituting "January 1, 2013" for "January 1, 2011" each place it appeared.

Subsec. (k)(2)(A)(iv). Pub. L. 111-312, Sec. 401(a)(1), amended clause (iv) by substituting "January 1, 2014" for "January 1, 2012".

Subsec. (k)(2)(B)(ii). Pub. L. 111-312, Sec. 401(d)(2), amended the heading for clause (ii) by substituting "Pre-January 1, 2013" for "Pre-January 1, 2011".

Subsec. (k)(4)(D)(ii). Pub. L. 111-312, Sec. 401(d)(3)(B), amended clause (ii) by inserting "and" at the end.

Subsec. (k)(4)(D)(iii). Pub. L. 111-312, Sec. 401(c)(1), amended clause (iii) by substituting "or production—" for "or production after March 31, 2008, and before January 1, 2010, shall be taken into account under subparagraph (B)(ii) thereof."

Subsec. (k)(4)(D)(iii). Pub. L. 111-312, Sec. 401(d)(3)(C), amended clause (iii) by substituting a period for the comma at the end.

Subsec. (k)(4)(D)(iv)-(v). Pub. L. 111-312, Sec. 401(d)(3)(A), amended subpar. (D) by striking clauses (iv) and (v). Before being struck, they read as follows:

"(iv) "January 1, 2011" shall be substituted for "January 1, 2012" in subparagraph (A)(iv) thereof, and

"(v) "January 1, 2010" shall be substituted for "January 1, 2011" each place it appears in subparagraph (A) thereof."

Subsec. (k)(4)(I). Pub. L. 111-312, Sec. 401(c)(2), amended par. (4) by adding subpar. (I).

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Subsec. (k)(5). Pub. L. 111-312, Sec. 401(b), amended subsec. (k) by adding par. (5).

Subsec. (l)(5)(A)-(C). Pub. L. 111-312, Sec. 401(d)(4), amended par. (5) by inserting "and" at the end of subpar. (A); by striking subpar. (B); and by redesignating subpar. (C) as subpar. (B). Before being struck, subpar. (B) read as follows:

"(B) by substituting "January 1, 2013" for "January 1, 2011" in clause (i) thereof, and".

Subsec. (n)(2)(C). Pub. L. 111-312, Sec. 401(d)(5), amended subpar. (C) by substituting "January 1, 2013" for "January 1, 2011".

Subsec. (k). Pub. L. 111-240, Sec. 2022(b)(1), amended the heading of subsec. (k) by substituting "January 1, 2011" for "January 1, 2010".

Subsec. (k)(2). Pub. L. 111-240, Sec. 2022(a)(2), amended par. (2) by substituting "January 1, 2011" for "January 1, 2010" each place it appeared.

Subsec. (k)(2)(A)(iv). Pub. L. 111-240, Sec. 2022(a)(1), amended par. (2) by substituting "January 1, 2012" for "January 1, 2011".

Subsec. (k)(2)(B)(ii). Pub. L. 111-240, Sec. 2022(b)(2), amended the heading of clause (ii) by substituting "Pre-January 1, 2011" for "Pre-January 1, 2010".

Subsec. (k)(4)(D)(ii)-(v). Pub. L. 111-240, Sec. 2022(b)(3), amended subpar. (D) by striking "and" at the end of clause (ii), by substituting "and" for the period at the end of clause (iii), and by adding new clauses (iv) and (v).

Subsec. (l)(5)(B). Pub. L. 111-240, Sec. 2022(b)(4), amended subpar. (B) by substituting "January 1, 2011" for "January 1, 2010".

Subsec. (n)(2)(C). Pub. L. 111-240, Sec. 2022(b)(5), amended subpar. (C) by substituting "January 1, 2011" for "January 1, 2010".

2009 - Subsec. (k). Pub. L. 111-5, Div. B, Sec. 1201(a)(2)(A), amended the heading of subsec. (k) by substituting "January 1, 2010" for "January 1, 2009".

Subsec. (k)(2). Pub. L. 111-5, Div. B, Sec. 1201(a)(1), amended par. (2) by substituting "January 1, 2011" for "January 1, 2010" and by substituting "January 1, 2010" for "January 1, 2009" each place it appeared.

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Subsec. (k)(2)(B)(ii). Pub. L. 111-5, Div. B, Sec. 1201(a)(2)(B), amended the heading of clause (ii) by substituting "Pre-January 1, 2010" for "Pre-January 1, 2009".

Subsec. (k)(4)(D)(i)-(iii). Pub. L. 111-5, Div. B, Sec. 1201(a)(3)(A)(i), amended subpar. (D) by striking "and" at the end of clause (i), by redesignating clause (ii) as clause (iii), and by adding a new clause (ii).

Subsec. (k)(4)(D)(iii). Pub. L. 111-5, Div. B, Sec. 1201(b)(1)(A), amended clause (iii), as redesignated, by substituting "2010" for "2009".

Subsec. (k)(4)(H). Pub. L. 111-5, Div. B, Sec. 1201(b)(1)(B), amended par. (4) by adding subpar. (H).

Subsec. (l)(5)(B). Pub. L. 111-5, Div. B, Sec. 1201(a)(2)(C), amended subpar. (B) by substituting "January 1, 2010" for "January 1, 2009".

Subsec. (n)(2)(C). Pub. L. 111-5, Div. B, Sec. 1201(a)(2)(D), amended subpar. (C) by substituting "January 1, 2010" for "January 1, 2009".

2008 - Subsec. (b)(2)(B)-(D). Pub. L. 110-343, Div. B, Sec. 306(c), amended par. (2) by striking "and" at the end of subpar. (B), by redesignating subpar. (C) as subpar. (D), and by adding subpar. (C).

Subsec. (b)(3)(l). Pub. L. 110-343, Div. C, Sec. 305(c)(3), amended par. (3) by adding subpar. (l).

Subsec. (e)(3)(B)(v). Pub. L. 110-343, Div. C, Sec. 505(a), amended clause (v) by striking "and" at the end.

Subsec. (e)(3)(B)(vi)(III). Pub. L. 110-343, Div. C, Sec. 505(a), amended subclause (III) by substituting ", and" for the period at the end.

Subsec. (e)(3)(B)(vii). Pub. L. 110-343, Div. C, Sec. 505(a), amended subpar. (B) by adding clause (vii).

Subsec. (e)(3)(D)(i)-(iv). Pub. L. 110-343, Div. B, Sec. 306(a), amended subpar. (D) by striking "and" at the end of clause (i), by substituting a comma for the period at the end of clause (ii), and by adding clause (iii) and (iv)

Subsec. (e)(3)(E)(iv)-(v). Pub. L. 110-343, Div. C, Sec. 305(a)(1), amended clauses (iv) and (v) by substituting "January 1, 2010" for "January 1, 2008".

Subsec. (e)(3)(E)(vii)-(ix). Pub. L. 110-343, Div. C, Sec. 305(c)(1), amended subpar. (E) by striking "and" at the end of clause (vii), by

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substituting ", and" for the period at the end of clause (viii), and by adding clause (ix).

Subsec. (e)(7). Pub. L. 110-343, Div. C, Sec. 305(b)(1), amended par. (7). Before amendment, it read as follows:

"(7) Qualified Restaurant Property.— The term "qualified restaurant property" means any section 1250 property which is an improvement to a building if—

"(A) such improvement is placed in service more than 3 years after the date such building was first placed in service, and

"(B) more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals."

Subsec. (e)(8). Pub. L. 110-343, Div. C, Sec. 305(c)(2), amended subsec. (e) by adding par. (8).

Subsec. (g)(3)(B). Pub. L. 110-343, Div. C, Sec. 305(c)(4), amended subpar. (B) by inserting the entry for "(E)(ix)".

Subsec. (g)(3)(B). Pub. L. 110-343, Div. C, Sec. 505(b), amended subpar. (B) by inserting the entry for "(B)(vii)".

Subsec. (i)(15)(D). Pub. L. 110-343, Div. C, Sec. 317(a), amended subpar. (D) by substituting "December 31, 2009" for "December 31, 2007".

Subsec. (i)(18). Pub. L. 110-343, Div. B, Sec. 306(b), amended subsec. (i) by adding par. (18).

Subsec. (i)(19). Pub. L. 110-343, Div. B, Sec. 306(b), amended subsec. (i) by adding par. (19).

Subsec. (j)(8). Pub. L. 110-343, Div. C, Sec. 315(a), amended par. (8) by substituting "2009" for "2007".

Subsec. (l). Pub. L. 110-343, Div. B, Sec. 201(b)(1)-(3), amended subsec. (l) by substituting "cellulosic biofuel" for "cellulosic biomass ethanol" each place it appeared, including the headings for sec. (l) and sec. (l)(2).

Subsec. (l)(3). Pub. L. 110-343, Div. B, Sec. 201(a), amended par. (3). Before amendment it read as follows:

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"(3) Cellulosic Biomass Ethanol.—For purposes of this subsection, the term "cellulosic biofuel ethanol" means ethanol produced by hydrolysis of any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis."

Subsec. (m). Pub. L. 110-343, Div. B, Sec. 308(a), added subsec. (m).

Subsec. (n). Pub. L. 110-343, Div. C, Sec. 710(a), added subsec. (n).

Subsec. (k)(4). Pub. L. 110-289, Sec. 3081(a), amended subsec. (k) by adding par. (4).

Subsec. (e)(3)(A)(i). Pub. L. 110-246, Sec. 15344(a), amended clause (i). Prior to amendment it read as follows:

"(i) any race horse which is more than 2 years old at the time it is placed in service,".

Subsec. (k). Pub. L. 110-185, Sec. 103(c)(11), amended the heading for subsec. (k) by substituting "December 31, 2007" for "September 10, 2001" and by substituting "January 1, 2009" for "January 1, 2005".

Subsec. (k). Pub. L. 110-185, Sec. 103(a), amended subsec. (k) by substituting "December 31, 2007" for "September 10, 2001", "January 1, 2008" for "September 11, 2001", "January 1, 2009" for "January 1, 2005" and "January 1, 2010" for "January 1, 2006", each place they appeared.

Subsec. (k)(1)(A). Pub. L. 110-185, Sec. 103(b), amended subpar. (A) by substituting "50 percent" for "30 percent".

Subsec. (k)(2)(B)(i)(I). Pub. L. 110-185, Sec. 103(c)(1), amended subclause (I) by substituting "(iii), and (iv)" for "and (iii)".

Subsec. (k)(2)(B)(i)(IV). Pub. L. 110-185, Sec. 103(c)(2), amended subclause (IV) by substituting "clause (iii)" for "clauses (ii) and (iii)". Note that it appears that the legislative language should have instructed that "clause (ii) or (iii)" be stricken and replaced with "clause (iii)".

Subsec. (k)(2)(B)(ii). Pub. L. 110-185, Sec. 103(c)(12), amended the heading of clause (ii) by substituting "Pre-January 1, 2009" for "Pre-January 1, 2005".

Subsec. (k)(2)(C)(i). Pub. L. 110-185, Sec. 103(c)(3), amended clause (i) by substituting ", (iii), and (iv)" for "and (iii)".

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Subsec. (k)(2)(D)(iii). Pub. L. 110-185, Sec. 103(c)(5)(B), amended clause (iii) by striking the last sentence. Before being struck, it read as follows: "The preceding sentence shall be applied separately with respect to property treated as qualified property by paragraph (4) and other qualified property."

Subsec. (k)(2)(F)(i). Pub. L. 110-185, Sec. 103(c)(4), amended clause (i) by substituting "\$8,000" for "\$4,600".

Subsec. (k)(4). Pub. L. 110-185, Sec. 103(c)(5)(A), struck par. (4). Before being struck, it read as follows:

"(4) 50-Percent Bonus Depreciation For Certain Property—

"(A) In General— In the case of 50-percent bonus depreciation property--

"(i) paragraph (1)(A) shall be applied by substituting "50 percent" for "30 percent", and

"(ii) except as provided in paragraph (2)(D), such property shall be treated as qualified property for purposes of this subsection.

"(B) 50-Percent Bonus Depreciation Property— For purposes of this subsection, the term 50-percent bonus depreciation property" means property described in paragraph (2)(A)(i)—

"(i) the original use of which commences with the taxpayer after May 5, 2003,

"(ii) which is--

"(I) acquired by the taxpayer after May 5, 2003, and before January 1, 2005, but only if no written binding contract for the acquisition was in effect before May 6, 2003, or

"(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after May 5, 2003, and before January 1, 2005, and

"(iii) which is placed in service by the taxpayer before January 1, 2005, or, in the case of property described in paragraph (2)(B) (as modified by subparagraph (C) of this paragraph) or paragraph (2)(C) (as so modified), before January 1, 2006.

"(C) Special Rules— Rules similar to the rules of subparagraphs (B), (C), and (E) of paragraph (2) shall apply for purposes of this

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paragraph; except that references to September 10, 2001, shall be treated as references to May 5, 2003.

"(D) Automobiles—Paragraph (2)(F) shall be applied by substituting \$7,650 for \$4,600 in the case of 50-percent bonus depreciation property.

"(E) Election Of 30-Percent Bonus— If a taxpayer makes an election under this subparagraph with respect to any class of property for any taxable year, subparagraph (A)(i) shall not apply to all property in such class placed in service during such taxable year."

Subsec. (l)(4)(A)-(C). Pub. L. 110-185, Sec. 103(c)(6), amended par. (4) by redesignating subpar. (A)-(C) as subpar. (B)-(D), respectively, and by adding a new subpar. (A).

Subsec. (l)(5)(A). Pub. L. 110-185, Sec. 103(c)(7)(A), amended subpar. (A) by substituting "December 31, 2007" for "September 10, 2001".

Subsec. (l)(5)(B). Pub. L. 110-185, Sec. 103(c)(7)(B), amended subpar. (B) by substituting "January 1, 2009" for "January 1, 2005".

2007 - Subsec. (l)(3). Pub. L. 110-172, Sec. 11(b)(1), amended par. (3) by striking "enzymatic" before "hydrolysis".

2006 - Subsec. (e)(3)(E)(iv), (v). Pub. L. 109-432, Sec. 113(a), amended clauses (iv) and (v) by substituting "2008" for "2006".

Subsec. (j)(8). Pub. L. 109-432, Sec. 112(a), amended par. (8) by substituting "2007" for "2005".

Subsec. (l). Pub. L. 109-432, Sec. 209(a), added subsec. (l).

2005 - Subsec. (e)(3)(B)(vi)(I). Pub. L. 109-135, Sec. 410(a), amended subclause (I) by substituting "if "solar and wind" were substituted for "solar" in clause (i) thereof" for "if "solar or wind energy" were substituted for "solar energy" in clause (i) thereof".

Subsec. (i)(15)(D). Pub. L. 109-135, Sec. 412(s), amended subpar. (D) by substituting "Such term shall not include" for "This paragraph shall not apply to".

Subsec. (k)(2)(A)(iv). Pub. L. 109-135, Sec. 403(j)(1), amended clause (iv) by substituting "subparagraph (B) or (C)" for "subparagraphs (B) and (C)".

Subsec. (k)(4)(B)(ii). Pub. L. 109-135, Sec. 405(a)(1), amended clause (ii). Before amendment, it read as follows:

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"(ii) which is acquired by the taxpayer after May 5, 2003, and before January 1, 2005, but only if no written binding contract for the acquisition was in effect before May 6, 2003, and".

Subsec. (k)(4)(B)(iii). Pub. L. 109-135, Sec. 403(j)(2), amended clause (iii) by substituting "or paragraph (2)(C) (as so modified)" for "and paragraph (2)(C)".

Subsec. (e)(3)(B)(vi)(I). Pub. L. 109-58, Sec. 1301(f)(5), amended subclause (I). Before amendment, it read as follows:

"(I) is described in subparagraph (A) of section 48(a)(3) (or would be so described if "solar and wind" were substituted for "solar" in clause (i) thereof,".

Subsec. (e)(3)(C)(iii)-(v). Pub. L. 109-58, Sec. 1326(a), amended subpar. (C) by striking "and" at the end of clause (iii); by redesignating clause (iv) as clause (v); and by adding clause (iv).

Subsec. (e)(3)(E)(v)-(vii). Pub. L. 109-58, Sec. 1308(a), amended subpar. (E) by striking "and" at the end of clause (v); by substituting ", and" for the period at the end of clause (vi); and by adding clause (vii).

Subsec. (e)(3)(E)(vi)-(viii). Pub. L. 109-58, Sec. 1325(a), amended subpar. (E) by striking "and" at the end of clause (vi); by substituting ", and" for the period at the end of clause (vii); and by adding clause (viii).

Subsec. (g)(3)(B). Pub. L. 109-58, Sec. 1308(b), amended subpar. (B) by inserting the item after the item relating to subparagraph (E)(vi).

Subsec. (g)(3)(B). Pub. L. 109-58, Sec. 1325(b), amended subpar. (B) by inserting the item after the item relating to subparagraph (E)(vii).

Subsec. (g)(3)(B). Pub. L. 109-58, Sec. 1326(c), amended subpar. (B) by inserting the item after the item relating to subparagraph (C)(iii).

Subsec. (i)(17). Pub. L. 109-58, Sec. 1326(b), added par. (17).

2004 - Subsec. (b)(2)(A). Pub. L. 108-357, Sec. 211(d)(2), amended subpar. (A) by inserting "not referred to in paragraph (3)" before the comma.

Subsec. (b)(3)(G)-(H). Pub. L. 108-357, Sec. 211(d)(1), amended par. (3) by adding subpar. (G) and (H).

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Subsec. (e)(3)(C)(ii). Pub. L. 108-357, Sec. 704(a), amended subpar. (C) by redesignating clause (ii) as clause (iii) and by adding clause (ii).

Subsec. (e)(3)(C)(ii)-(iii). Pub. L. 108-357, Sec. 706(a), amended subpar. (C) by striking "and" at the end of clause (ii); by redesignating clause (iii) as clause (iv); and by adding clause (iii).

Subsec. (e)(3)(E)(ii)-(v). Pub. L. 108-357, Sec. 211(a), amended subpar. (E) by striking "and" at the end of clause (ii); by substituting ", and" for the period at the end of clause (iii); and by adding clause (iv) and (v).

Subsec. (e)(3)(E)(iv)-(vi). Pub. L. 108-357, Sec. 901(a), amended subpar. (E) by striking "and" at the end of clause (iv); by substituting ", and" for the period at the end of clause (v); and by adding clause (vi).

Subsec. (e)(3)(F). Pub. L. 108-357, Sec. 901(b), amended par. (3) by adding subpar. (F).

Subsec. (e)(6). Pub. L. 108-357, Sec. 211(b), amended subsec. (e) by adding par. (6).

Subsec. (e)(7). Pub. L. 108-357, Sec. 211(c), amended subsec. (e) by adding par. (7).

Subsec. (g)(3)(A). Pub. L. 108-357, Sec. 847(a), amended subpar. (A) by inserting "(notwithstanding any other subparagraph of this paragraph)" after "shall".

Subsec. (g)(3)(B). Pub. L. 108-357, Sec. 211(e), amended subpar. (B) by adding two items relating to subpar. (E)(iv) and (v) the table.

Subsec. (g)(3)(B). Pub. L. 108-357, Sec. 706(c), amended subpar. (B) by adding the item relating to subpar. (C)(iii) to the table.

Subsec. (g)(3)(B). Pub. L. 108-357, Sec. 901(c), amended subpar. (B) by adding the two items after the item relating to subpar. (E)(v) to the table.

Subsec. (h)(2)(A)(ii)-(iv). Pub. L. 108-357, Sec. 847(e), amended subpar. (A) by striking "and" at the end of clause (ii); by substituting ", and" for the period at the end of clause (iii); and by adding clause (iv) and the material following clause (iv).

Subsec. (h)(3)(A). Pub. L. 108-357, Sec. 847(d), amended subpar. (A) by adding the sentence at the end.

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Subsec. (i)(3)(A)(i)-(ii). Pub. L. 108-357, Sec. 847(c), amended subpar. (A) by striking "and" at the end of clause (i); by redesignating clause (ii) as clause (iii); and by adding clause (ii).

Subsec. (i)(15). Pub. L. 108-357, Sec. 704(b), amended subsec. (i) by adding par. (15).

Subsec. (i)(16). Pub. L. 108-357, Sec. 706(b), amended subsec. (i) by adding par. (16).

Subsec. (k)(2)(A)(iv). Pub. L. 108-357, Sec. 336(a)(2), amended clause (iv) by substituting "subparagraphs (B) and (C)" for "subparagraph (B)".

Subsec. (k)(2)(B)(iv). Pub. L. 108-357, Sec. 336(b)(1), amended subpar. (B) by adding clause (iv).

Subsec. (k)(2)(C)-(F). Pub. L. 108-357, Sec. 336(a)(1), amended par. (2) by redesignating subpar. (C) through (F) as subpar. (D) through (G) and added subpar. (C).

Subsec. (k)(2)(E)(iii)(II). Pub. L. 108-357, Sec. 337(a), amended clause (II) by inserting the parenthetical text before the comma at the end.

Subsec. (k)(4)(A)(ii). Pub. L. 108-357, Sec. 336(b)(2), amended clause (ii) by substituting "paragraph (D)" for "paragraph (C)".

Subsec. (k)(4)(B)(iii). Pub. L. 108-357, Sec. 336(b)(3), amended clause (iii) by inserting "and paragraph (2)(C)" after "of this paragraph)".

Subsec. (k)(4)(C). Pub. L. 108-357, Sec. 336(b)(4), amended subpar. (C) by substituting "subparagraphs (B), (C), and (E)" for "subparagraphs (B) and (D)".

Subsec. (k)(4)(D). Pub. L. 108-357, Sec. 336(b)(5), amended subpar. (D) by substituting "Paragraph (2)(F)" for "Paragraph (2)(E)".

Subsec. (j)(8). Pub. L. 108-311, Sec. 316, amended par. (8) by substituting "December 31, 2005" for "December 31, 2004".

Subsec. (k)(2)(B)(i). Pub. L. 108-311, Sec. 403(a)(1), amended clause (i). Before amendment it read as follows:

"(i) IN GENERAL.--

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"The term 'qualified property' includes property--

"(I) which meets the requirements of clauses (i), (ii), and (iii) of subparagraph (A),

"(II) which has a recovery period of at least 10 years or is transportation property, and

"(III) which is subject to section 263A by reason of clause (ii) or (iii) of subsection (f)(1)(B) thereof."

Subsec. (k)(2)(D)(ii). Pub. L. 108-311, Sec. 403(a)(2)(B), amended clause (ii) by inserting "clause (iii) and" before "subparagraph (A)(ii)".

Subsec. (k)(2)(D)(ii). Pub. L. 108-311, Sec. 408(a)(6), amended clause (ii) by inserting "is" after "if property" and by striking "is" at the beginning of clause (i).

Subsec. (k)(2)(D)(iii)-(iv). Pub. L. 108-311, Sec. 403(a)(2)(A), amended subpar. (D) by adding clauses (iii) and (iv).

Subsec. (k)(2)(F). Pub. L. 108-311, Sec. 408(a)(8), amended the heading of subpar. (F) by substituting "MININUM" for "MINIUMUM".

2003 - Subsec. (k). Pub. L. 108-27, Sec. 201(c)(1), amended the heading of subsec. (k) by substituting "JANUARY 1, 2005" for "SEPTEMBER 11, 2004".

Subsec. (k)(2)(A)(iii). Pub. L. 108-27, Sec. 201(b)(2), amended clause (iii) by substituting "January 1, 2005" for "September 11, 2004" each place it appeared.

Subsec. (k)(2)(B)(ii). Pub. L. 108-27, Sec. 201(b)(1), amended clause (ii) by substituting "January 1, 2005" for "September 11, 2004" each place it appeared.

Subsec. (k)(2)(C)(iii). Pub. L. 108-27, Sec. 201(b)(3), amended clause (iii) by adding the sentence at the end.

Subsec. (k)(2)(D)(i). Pub. L. 108-27, Sec. 201(b)(1), amended clause (i) by substituting "January 1, 2005" for "September 11, 2004".

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Subsec. (k)(4). Pub. L. 108-27, Sec. 201(a), added par. (4).

2002 - Subsec. (j)(8). Pub. L. 107-147, Sec. 613(b), amended par. (8) by substituting "December 31, 2004" for "December 31, 2003".

Subsec. (k). Pub. L. 107-147, Sec. 101(a), added subsec. (k).

1998 - Subsec. (c)(1). Pub. L. 105-206, Sec. 6006(b)(2), amended subsec. (c) by substituting the above for the text that preceded the table in par. (1). Prior to amendment it read as follows:

"(c) Applicable recovery period

For purposes of this section--

"(1) In general

Except as provided in paragraph (2), the applicable recovery period shall be determined in accordance with the following table:"

Subsec. (c)(2). Pub. L. 105-206, Sec. 6006(b)(1), struck par. (2). Prior to being struck it read as follows:

"(2) Property for which 150 percent method elected

In the case of property to which an election under subsection (b)(2)(C) applies, the applicable recovery period shall be determined under the table contained in subsection (g)(2)(C)."

1997 - Subsec. (e)(3)(A). Pub. L. 105-34, Sec. 1086(b)(1), amended clause (i) by striking "and"; amended clause (ii) by substituting ", and" for "."; and added clause (iii).

Subsec. (g)(3)(B). Pub. L. 105-34, Sec. 1086(b)(2), amended the table in subpar. (B) by inserting "(A)(iii).....4" before the first item.

Subsec. (i)(8)(C). Pub. L. 105-34, Sec. 1213(c), added subpar. (C).

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Subsec. (i)(14). Pub. L. 105-34, Sec. 1086(b)(3), added par. (14).

Subsec. (j)(6). Pub. L. 105-34, Sec. 1604(c)(1), amended par. (6) by adding a flush sentence at the end.

1996 - Subsec. (b)(3)(F). Pub. L. 104-188, Sec. 1613(b)(1) added new subpar. (F).

Subsec. (c)(1). Pub. L. 104-188, Sec. 1613(b)(2) added to the table the item regarding water utility property.

Subsec. (e)(3)(B). Pub. L. 104-188, Sec. 1702(h)(1)(B) added a new flush sentence to the end of subpar. (B).

Subsec. (e)(3)(B). Pub. L. 104-188, Sec. 1702(h)(1)(A) amended clause (vi) by striking 'or' at the end of subclause (I), by striking the period and inserting ',or' at the end of subclause (II), and adding new subclause (III).

Subsec. (e)(3)(E). Pub. L. 104-188, Sec. 1120(a) struck 'and' at the end of clause (i), substituted ', and' for the period at the end of clause (ii), and added a new clause (iii).

Subsec. (e)(3)(F). Pub. L. 104-188, Sec. 1613(b)(3)(B)(i) struck subpar. (F), which prior to being stricken read as follows:

'(F) 20-year property

'The term "20-year property" includes any municipal sewers.'

Subsec. (e)(5). Pub. L. 104-188, Sec. 1613(b)(3)(A) added new par. (5).

Subsec. (g)(2)(C)(iv). Pub. L. 104-188, Sec. 1613(b)(4) added the words "or water utility property" after "tunnel bore".

Subsec. (g)(3). Pub. L. 104-188, Sec. 1613(b)(3)(B)(ii) struck from the table the following: '(F)..... 50'.

Subsec. (g)(3)(B). Pub. L. 104-188, Sec. 1120(b) inserted the item following the item related to subpar. (E)(ii).

Subsec. (g)(4)(K). Pub. L. 104-188, Sec. 1702(h)(1)(C) substituted 'section 48(l)(3)(A)(ix) (as in effect on the day before the date of the

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enactment of the Revenue Reconciliation Act of 1990) for 'section 48(a)(3)(A)(iii)'.

Subsec. (i)(8). Pub. L. 104-188, Sec. 1121(a) generally revised par. (8), which prior to amendment read as follows:

(8) Treatment of leasehold improvements

'In the case of any building erected (or improvements made) on leased property, if such building or improvement is property to which this section applies, the depreciation deduction shall be determined under the provisions of this section.'

Subsec. (g)(3)(B). Pub. L. 104-188, Sec. 1704(t)(54), provided that 'clause (i) of section 11813(b)(13) of the Revenue Reconciliation Act of 1990 shall be applied as if a comma appeared after '(3)(A)(ix)' in the material proposed to be stricken.'

1995 - Subsec. (g)(4)(B)(i). Pub. L. 104-88, Sec. 304(a) substituted 'domestic railroad corporation providing transportation subject to subchapter I of chapter 105' with 'rail carrier subject to part A of subtitle IV'.

1993 - Subsec. (c)(1). Pub. L. 103-66, Sec. 13151(a), amended par. (1) by substituting "Nonresidential real property..... 31.5 years" for "Nonresidential real property.....39 years".

Subsec. (j). Pub. L. 103-66, Sec. 13321(a), added subsec. (j).

1990 - Subsec. (e)(2)(A). Pub. L. 101-508, Sec. 11812(b)(2)(A), amended subpar. (A) generally. Prior to amendment, subpar. (A) read as follows: 'The term 'residential rental property' has the meaning given such term by section 167(j)(2)(B).'

Subsec. (e)(3)(B)(vi)(I). Pub. L. 101-508, Sec. 11813(b)(9)(A)(i), as amended by Pub. L. 104-188, Sec. 1704(t)(54), substituted 'subparagraph (A) of section 48(a)(3) (or would be so described if 'solar and wind' were substituted for 'solar' in clause (i) thereof)' for 'paragraph (3)(A)(viii), (3)(A)(ix), or (4) of section 48(f)'.

Subsec. (e)(3)(B)(vi)(II). Pub. L. 101-508, Sec. 11813(b)(9)(A)(ii), inserted '(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990)' after '48(f)'.

Subsec. (e)(3)(D)(i). Pub. L. 101-508, Sec. 11813(b)(9)(B)(i), substituted 'subsection (i)(13)' for 'section 48(p)'.

Subsec. (f)(2). Pub. L. 101-508, Sec. 11812(b)(2)(C), substituted 'subsection (i)(10)' for 'section 167(l)(3)(A)'.

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Subsec. (g)(4). Pub. L. 101-508, Sec. 11813(b)(9)(C), substituted heading for one which read: 'Property used predominantly outside the United States' and amended text generally. Prior to amendment, text read as follows: 'For purposes of this subsection, rules similar to the rules under section 48(a)(2) (including the exceptions contained in subparagraph (B) thereof) shall apply in determining whether property is used predominantly outside the United States. In addition to the exceptions contained in such subparagraph (B), there shall be excepted any satellite or other spacecraft (or any interest therein) held by a United States person if such satellite or spacecraft was launched from within the United States.'

Subsec. (i)(1). Pub. L. 101-508, Sec. 11812(b)(2)(D), inserted at end 'The reference in this paragraph to subsection (m) of section 167 shall be treated as a reference to such subsection as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990.'

Subsec. (i)(7)(B)(i). Pub. L. 101-508, Sec. 11801(c)(8)(B), struck out, '371(a), 374(a),' after '361,'.

Subsec. (i)(9)(A)(ii). Pub. L. 101-508, Sec. 11812(b)(2)(E), struck out '(determined without regard to section 167(l))' after 'section 167'.

Subsec. (i)(10). Pub. L. 101-508, Sec. 11812(b)(2)(B), amended par. (10) generally. Prior to amendment, par. (10) read as follows: 'The term 'public utility property' has the meaning given such term by section 167(l)(3)(A).'

Subsec. (i)(13). Pub. L. 101-508, Sec. 11813(b)(9)(B)(ii), added par. (13).

1989 - Subsec. (b)(3)(D), (E). Pub. L. 101-239, Sec. 7816(f), redesignated subpar. (D), relating to property described in subsec. (e)(3)(D)(ii), as (E).

Subsec. (b)(5). Pub. L. 101-239, Sec. 7816(e)(1), substituted 'paragraph (2)(C)' for 'paragraph (2)(B)'.

Subsec. (c)(2). Pub. L. 101-239, Sec. 7816(e)(2), substituted 'subsection (b)(2)(C)' for 'subsection (b)(2)(B)'.

Subsec. (i)(1). Pub. L. 101-239, Sec. 7816(w), made clarifying amendment to directory language of Pub. L. 100-647, Sec. 6253, see 1988 Amendment note below.

1988 - Subsec. (b)(2). Pub. L. 100-647, Sec. 1002(a)(11)(A), substituted '150 percent declining balance method in certain cases' for '15-year and 20-year property' in heading and amended text generally. Prior to amendment, text read as follows: 'In the case of 15-year and 20-year property, paragraph (1) shall be applied by substituting '150 percent' for '200 percent'.'

Subsec. (b)(2)(B), (C). Pub. L. 100-647, Sec. 6028(a), added subpar. (B) and redesignated former subpar. (B) as (C).

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Subsec. (b)(3)(C). Pub. L. 100-647, Sec. 1002(i)(2)(B)(i), added subpar. (C). Former subpar. (C) redesignated (D).

Subsec. (b)(3)(D). Pub. L. 100-647, Sec. 6029(b), added subpar. (D) relating to property described in subsec. (e)(3)(D)(ii).

Pub. L. 100-647, Sec. 1002(i)(2)(B)(i), redesignated subpar. (C), relating to property with respect to which the taxpayer elects under par. (5), as (D).

Subsec. (b)(5). Pub. L. 100-647, Sec. 1002(i)(2)(B)(ii), substituted 'paragraph (3)(D)' for 'paragraph (3)(C)'.

Pub. L. 100-647, Sec. 1002(a)(11)(B), substituted 'paragraph (2) (B) or (3)(C)' for 'paragraph (3)(C)'.

Subsec. (c). Pub. L. 100-647, Sec. 1002(a)(11)(C), amended subsec. (c) generally, designating existing provisions as par. (1) and adding par. (2).

Subsec. (c)(1). Pub. L. 100-647, Sec. 1002(i)(2)(A), inserted table item relating to any railroad grading or tunnel bore.

Subsec. (d)(2)(C). Pub. L. 100-647, Sec. 1002(i)(2)(D), added subpar. (C).

Subsec. (d)(3)(A)(i). Pub. L. 100-647, Sec. 1002(a)(5), struck out 'and which are' after 'this section applies'.

Subsec. (d)(3)(B). Pub. L. 100-647, Sec. 1002(a)(23)(A), struck out 'real' after 'Certain' in heading and amended text generally. Prior to amendment, text read as follows: 'For purposes of subparagraph (A), nonresidential real property and residential rental property shall not be taken into account.'

Subsec. (d)(3)(B)(i). Pub. L. 100-647, Sec. 1002(i)(2)(E), substituted 'residential rental property, and railroad grading or tunnel bore' for 'and residential rental property'.

Subsec. (e)(3)(B)(v). Pub. L. 100-647, Sec. 1002(a)(21), substituted 'any section 1245 property' for 'any property'.

Subsec. (e)(3)(C). Pub. L. 100-647, Sec. 6027(b)(1)(C), redesignated cl. (iii) as (ii), and struck out former cl. (ii) which read as follows: 'any single-purpose agricultural or horticultural structure (within the meaning of section 48(p)), and'.

Subsec. (e)(3)(D). Pub. L. 100-647, Sec. 6029(a), amended subpar. (D) generally. Prior to amendment, subpar. (D) read as follows: 'The

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term '10-year property' includes any single purpose agricultural or horticultural structure (within the meaning of section 48(p)).'

Pub. L. 100-647, Sec. 6027(a), added subpar. (D). Former subpar. (D) redesignated (E).

Subsec. (e)(3)(E), (F). Pub. L. 100-647, Sec. 6027(a), redesignated former subpars. (D) and (E) as (E) and (F), respectively.

Subsec. (e)(4). Pub. L. 100-647, Sec. 1002(i)(2)(C), added par. (4).

Subsec. (f)(4). Pub. L. 100-647, Sec. 1002(a)(16)(B), amended par. (4) generally. Prior to amendment, par. (4) read as follows: 'Any sound recording described in section 48(r)(5).'

Subsec. (f)(5)(B)(ii). Pub. L. 100-647, Sec. 1002(a)(6)(A)(i), substituted '1st taxable year' for '1st full taxable year'.

Subsec. (f)(5)(B)(iii). Pub. L. 100-647, Sec. 1002(a)(6)(A)(ii), added cl. (iii).

Subsec. (f)(5)(C). Pub. L. 100-647, Sec. 100-647, Sec. 1002(a)(6)(B), added subpar. (C).

Subsec. (g)(2)(C). Pub. L. 100-647, Sec. 1002(i)(2)(F), added item (iv) in table.

Subsec. (g)(3)(B). Pub. L. 100-647, Sec. 6029(c), substituted '(D)(i)' for '(D)' and added item for '(D)(ii)' in table.

Pub. L. 100-647, Sec. 6027(b)(2), substituted '(D)' for '(C)(ii)', '(E)(i)' for '(D)(i)', '(E)(ii)' for '(D)(ii)', and '(F)' for '(E)' in table.

Subsec. (h)(2)(B). Pub. L. 100-647, Sec. 1002(a)(8), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows:

'(i) Income from property subject to United States tax. - Clause (iii) of subparagraph (A) shall not apply with respect to any property if more than 50 percent of the gross income for the taxable year derived by the foreign person or entity from the use of such property is -

'(i) subject to tax under this chapter, or

'(ii) included under section 951 in the gross income of a United States shareholder for the taxable year with or within which ends the

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taxable year of the controlled foreign corporation in which such income was derived.

For purposes of the preceding sentence, any exclusion or exemption shall not apply for purposes of determining the amount of the gross income so derived, but shall apply for purposes of determining the portion of such gross income subject to tax under this chapter.

'(ii) Movies and sound recordings. - Clause (iii) of subparagraph (A) shall not apply with respect to any qualified film (as defined in section 48(k)(1)(B)) or any sound recording (as defined in section 48(r)(5)).'

Subsec. (i)(1). Pub. L. 100-647, Sec. 6253, as amended by Pub. L. 101-239, Sec. 7816(w), amended par. (1) generally, substituting a single par. relating to class life for former subpar. (A) relating to class life generally, (B) relating to Secretarial authority, (C) relating to effect of modification, (D) prohibiting modification of assigned property before January 1, 1992, and (E) relating to assigned property and item.

Subsec. (i)(1)(E)(iii). Pub. L. 100-647, Sec. 1002(i)(2)(G), added cl. (iii), which provided: 'Special rule for railroad grading or tunnel bores. - In the case of any property which is a railroad grading or tunnel bore -

'(I) such property shall be treated as an assigned property,

'(II) the recovery period applicable to such property shall be treated as an assigned item, and

'(III) clause (ii) of subparagraph (D) shall not apply.'

Subsec. (i)(7)(A). Pub. L. 100-647, Sec. 1002(a)(7)(A), inserted at end 'In any case where this section as in effect before the amendments made by section 201 of the Tax Reform Act of 1986 applied to the property in the hands of the transferor, the reference in the preceding sentence to this section shall be treated as a reference to this section as so in effect.'

Subsec. (i)(7)(B). Pub. L. 100-647, Sec. 1002(a)(7)(B), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: 'The transactions described in this subparagraph are any transaction described in section 332, 351, 361, 371(a), 374(a), 721, or 731. Subparagraph (A) shall not apply in the case of a termination of a partnership under section 708(b)(1)(B).'

Subsec. (i)(7)(D). Pub. L. 100-647, Sec. 1002(a)(7)(C), struck out subpar. (D) which read as follows: 'This paragraph shall not apply to any transaction to which subsection (f)(5) applies (relating to churning transactions).'

Subsec. (j)(9)(E). Pub. L. 100-647, Sec. 1018(b)(2), amended subpar. (E), as amended by section 1802(a)(2) of Pub. L. 99-514 and as in effect before the general amendment by section 201(a) of Pub. L. 99-514, by substituting 'this paragraph and paragraph (8)' for 'this paragraph' in cls. (i) and (ii)(I) and by striking out cl. (iii) and inserting a new cl. (iii) which read as follows: 'Tax-exempt controlled entity. -

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'(I) In general. - The term 'tax-exempt controlled entity' means any corporation (which is not a tax-exempt entity determined without regard to this subparagraph and paragraph (4)(E)) if 50 percent or more (in value) of the stock in such corporation is held by 1 or more tax-exempt entities (other than a foreign person or entity).

'(II) Only 5-percent shareholders taken into account in case of publicly traded stock. - For purposes of subclause (I), in the case of a corporation the stock of which is publicly traded on an established securities market, stock held by a tax-exempt entity shall not be taken into account unless such entity holds at least 5 percent (in value) of the stock in such corporation. For purposes of this subclause, related entities (within the meaning of paragraph (7)) shall be treated as 1 entity.

'(III) Section 318 to apply. - For purposes of this clause, a tax-exempt entity shall be treated as holding stock which it holds through application of section 318 (determined without regard to the 50-percent limitation contained in subsection (a)(2)(C) thereof).'

1986 - Pub. L. 99-514, Sec. 201(a), amended section generally, applicable, with exceptions enumerated in sections 203, 204, and 251(d) of Pub. L. 99-514 (set out as notes below and under section 46 of this title), to property placed in service after Dec. 31, 1986, modifying existing accelerated cost recovery system by substituting new subsecs. (a) to (i) for former subsecs. (a) to (k). See following paragraphs of 1986 Amendment note for amendments to former text by sections 1802 and 1809 of Pub. L. 99-514.

Subsec. (b)(2)(A). Pub. L. 99-514, Sec. 1809(a)(2)(A)(i)(I), struck out closing provisions relating to determination, in the case of 19-year real property, of applicable percentage in taxable year in which the property is placed in service.

Subsec. (b)(2)(B). Pub. L. 99-514, Sec. 1809(a)(2)(A)(i)(II), substituted 'Mid-month convention for 19-year real property' for 'Special rule for year of disposition' in heading and amended text generally, substituting 'In the case of 19-year real property, the amount of the deduction determined under any provision of this section (or for purposes of section 57(a)(12)(B) or 312(k)) for any taxable year shall be determined on the basis of the number of months (using a mid-month convention) in which the property is in service.' for prior provisions.

Subsec. (b)(3)(A). Pub. L. 99-514, Sec. 1809(a)(1)(A), which directed that the table be amended by striking 'and low-income housing' in last item, was executed by striking 'and low-income housing' after '19-year real property' in next-to-the-last item, to reflect the probable intent of Congress, because that phrase did not appear in last item.

Pub. L. 99-514, Sec. 1809(a)(1)(B), inserted at the end item for low-income housing with recovery periods of 15, 35, or 45 years.

Subsec. (b)(4)(B). Pub. L. 99-514, Sec. 1809(a)(2)(B), substituted 'Monthly convention' for 'Special rule for year of disposition' in heading and amended text generally, substituting 'In the case of low-income housing, the amount of the deduction determined under any provision of this section (or for purposes of section 57(a)(12)(B) or 312(k)) for any taxable year shall be determined on the basis of the number of months (treating all property placed in service or disposed of during any month as placed in service or disposed of on the first day of such month) in which the property is in service.' for prior provisions.

Subsec. (f)(2)(B). Pub. L. 99-514, Sec. 1809(a)(2)(A)(ii), redesignated existing provisions as entire subpar. (B), struck out '(i) In general', redesignated subcls. (I) and (II) as cls. (i) and (ii), and in cl. (ii) struck out '(taking into account the next to the last sentence of subsection (b)(2)(A))' after 'assign percentages' and struck out heading, '(ii) Special rule for disposition' and text, 'In the case of a disposition of 19-year real property or low-income housing described in clause (i), subsection (b)(2)(B) shall apply.'

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Subsec. (f)(10)(A). Pub. L. 99-514, Sec. 1809(b)(1), amended subpar. (A) generally, substituting 'In the case of recovery property transferred in a transaction described in subparagraph (B), for purposes of computing the deduction allowable under subsection (a) with respect to so much of the basis in the hands of the transferee as does not exceed the adjusted basis in the hands of the transferor -

'(i) if the transaction is described in subparagraph (B)(i), the transferee shall be treated in the same manner as the transferor, or

'(ii) if the transaction is described in clause (ii) or (iii) of subparagraph (B) and the transferor made an election with respect to such property under subsection (b)(3) or (f)(2)(C), the transferee shall be treated as having made the same election (or its equivalent).' for prior provisions.

Subsec. (f)(10)(B). Pub. L. 99-514, Sec. 1809(b)(2), inserted at end 'Clause (i) shall not apply in the case of the termination of a partnership under section 708(b)(1)(B).'

Subsec. (f)(12)(B)(ii). Pub. L. 99-514, Sec. 1809(a)(4)(A), amended cl. (ii) generally, substituting 'In the case of 19-year real property, the amount of the deduction allowed shall be determined by using the straight-line method (without regard to salvage value) and a recovery period of 19 years.' for prior provisions.

Subsec. (f)(12)(C). Pub. L. 99-514, Sec. 1809(a)(4)(B), substituted 'Exception for low- and moderate-income housing' for 'Exception for projects for residential rental property' in heading and amended text generally, substituting 'Subparagraph (A) shall not apply to -

'(i) any low-income housing, and

'(ii) any other recovery property which is placed in service in connection with projects for residential rental property financed by the proceeds of obligations described in section 103(b)(4)(A).' for prior provisions.

Subsec. (f)(14), (15). Pub. L. 99-514, Sec. 1802(b)(1), redesignated the par. (13) relating to motor vehicle operating leases as (14) and redesignated former par. (14) as (15).

Subsec. (j)(2)(B)(ii). Pub. L. 99-514, Sec. 1809(a)(2)(C)(i), substituted 'Cross reference' for '19-year real property' in heading and amended text generally, substituting 'For other applicable conventions, see paragraphs (2) (B) and (4)(B) of subsection (b).' for prior provisions.

Subsec. (j)(3)(D). Pub. L. 99-514, Sec. 1802(a)(1), inserted at end 'For purposes of subparagraph (B)(iii), any portion of a property so used shall not be treated as leased to a tax-exempt entity in a disqualified lease.'

Subsec. (j)(4)(E)(i). Pub. L. 99-514, Sec. 1802(a)(2)(A), (G), substituted 'any property (other than property held by such organization)' for 'any property of which such organization is the lessee', 'first used by' for 'first leased to', and 'preceding sentence and subparagraph (D)(ii)' for 'preceding sentence'.

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Subsec. (j)(4)(E)(ii). Pub. L. 99-514, Sec. 1802(a)(2)(B), (C), struck out 'of which such organization is the lessee' after 'respect to any property' in subcl. (I) and substituted 'is first used by the organization' for 'is placed in service under the lease' in subcl. (II).

Subsec. (j)(4)(E)(iv). Pub. L. 99-514, Sec. 1802(a)(2)(D), added cl. (iv), first used, which read as follows: 'For purposes of this subparagraph, property shall be treated as first used by the organization -

(I) when the property is first placed in service under a lease to such organization, or

(II) in the case of property leased to (or held by) a partnership (or other pass-thru entity) in which the organization is a member, the later of when such property is first used by such partnership or pass-thru entity or when such organization is first a member of such partnership or pass-thru entity.'

Subsec. (j)(5)(C)(iv). Pub. L. 99-514, Sec. 1802(a)(3), struck out cl. (iv), relating to exclusion of property not subject to rapid obsolescence.

Subsec. (j)(8), (9)(A). Pub. L. 99-514, Sec. 1802(a)(4)(A), (B)(i), struck out 'and paragraphs (4) and (5) of section 48(a)' after 'For purposes of this subsection' in introductory provisions.

Subsec. (j)(9)(B)(i). Pub. L. 99-514, Sec. 1802(a)(4)(B)(ii), inserted a comma between 'loss' and 'deduction'.

Subsec. (j)(9)(D). Pub. L. 99-514, Sec. 1802(a)(7)(A), added subpar. (D), determination of whether property used in unrelated trade or business, which read as follows: 'For purposes of this subsection, in the case of any property which is owned by a partnership which has both a tax-exempt entity and a person who is not a tax-exempt entity as partners, the determination of whether such property is used in an unrelated trade or business of such an entity shall be made without regard to section 514.' Former subpar. (D) was redesignated (E).

Subsec. (j)(9)(E). Pub. L. 99-514, Sec. 1802(a)(7), redesignated former subpar. (D) as (E) and substituted '(C), and (D)' for 'and (C)'. Former subpar. (E), was redesignated (F).

Pub. L. 99-514, Sec. 1802(a)(2)(E)(i), added subpar. (E), treatment of certain taxable entities, consisting of cl. (i), in general, which read: 'For purposes of this paragraph, except as otherwise provided in this subparagraph, any tax-exempt controlled entity shall be treated as a tax-exempt entity.', cl. (ii), election, which read: 'If a tax-exempt controlled entity makes an election under this clause -

(I) such entity shall not be treated as a tax-exempt entity for purposes of this paragraph, and

(II) any gain recognized by a tax-exempt entity on any disposition of an interest in such entity (and any dividend or interest received or accrued by a tax-exempt entity from such tax-exempt controlled entity) shall be treated as unrelated business taxable income for purposes

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of section 511.

Any such election shall be irrevocable and shall bind all tax-exempt entities holding interests in such tax-exempt controlled entity. For purposes of subclause (II), there shall only be taken into account dividends which are properly allocable to income of the tax-exempt controlled entity which was not subject to tax under this chapter.', and cl. (iii), tax-exempt controlled entity, which read 'The term 'tax-exempt controlled entity' means any corporation (which is not a tax-exempt entity determined without regard to this subparagraph and paragraph (4)(E)) if 50 percent or more (by value) of the stock in such corporation is held (directly or through the application of section 318 determined without regard to the 50-percent limitation contained in subsection (a)(2)(C) thereof) by 1 or more tax-exempt entities.' Former subpar. (E) was redesignated (F).

Subsec. (j)(9)(F). Pub. L. 99-514, Sec. 1802(a)(7)(A), redesignated former subpar. (E) as (F). Former subpar. (F) redesignated (G).

Pub. L. 99-514, Sec. 1802(a)(2)(E)(i), redesignated former subpar. (E) as (F).

Subsec. (j)(9)(G). Pub. L. 99-514, Sec. 1802(a)(7)(A), redesignated former subpar. (F) as (G).

1985 - Subsec. (b)(2). Pub. L. 99-121, Sec. 103(b)(1)(A), substituted '19-year real property' for '18-year real property' in heading and wherever appearing in text.

Subsec. (b)(2)(A)(i). Pub. L. 99-121, Sec. 103(a), substituted '19-year recovery period' for '18-year recovery period'.

Subsec.(b)(3)(A). Pub. L. 99-121, Sec. 103(b)(1)(A), substituted '19-year real property' for '18-year real property' in table.

Pub. L. 99-121, Sec. 103(b)(2), substituted '19, 35, or 45 years' for '18, 35, or 45' in table.

Subsec. (b)(3)(B)(ii), (iii). Pub. L. 99-121, Sec. 103(b)(1)(A), substituted '19-year real property' for '18-year real property' wherever appearing.

Subsec. (c)(2)(D). Pub. L. 99-121, Sec. 103(b)(1)(A), substituted '19-year real property' for '18-year real property' in heading and in text.

Subsec. (d)(2)(B). Pub. L. 99-121, Sec. 103(b)(1)(A), substituted '19-year real property' for '18-year real property'.

Subsec. (f)(1)(B)(ii). Pub. L. 99-121, Sec. 103(b)(3)(B), substituted 'March 15, 1984, and before May, 9, 1985, the' for 'March 15, 1984, the'.

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Subsec. (f)(1)(B)(iii), (iv). Pub. L. 99-121, Sec. 103(b)(3)(A), (C), added cl. (iii), redesignated former cl. (iii) as (iv), and in cl. (iv) substituted ', (ii), or (iii)' for 'or (ii)'.

Subsec. (f)(2), (5). Pub. L. 99-121, Sec. 103(b)(1)(A), substituted '19-year real property' for '18-year real property' wherever appearing.

Subsec. (f)(12)(B)(ii). Pub. L. 99-121, Sec. 103(b)(4), substituted '19-year real property' for '15-year real property' in heading and wherever appearing in text, and substituted '19 years' for '15 years'.

Subsec. (j). Pub. L. 99-121, Sec. 103(b)(1)(A), substituted '19-year real property' for '18-year real property' wherever appearing in headings, table, and text.

1984 - Subsec. (b)(2). Pub. L. 98-369, Sec. 111(a)(1), substituted '18-year real property' for '15-year real property' in heading and wherever appearing in text.

Pub. L. 98-369, Sec. 111(d), inserted in provision following cl. (ii) '(using a mid-month convention)'.

Subsec. (b)(2)(A). Pub. L. 98-369, Sec. 111(b)(3)(A), struck out in text following cl. (ii) provision that for purposes of this subparagraph 'low-income housing' means property described in section 1250(a)(1)(B)(i), (ii), (iii), or (iv).

Subsec. (b)(2)(A)(i). Pub. L. 98-369, Sec. 111(a)(2), substituted '18-year recovery period' for '15-year recovery period'.

Subsec. (b)(2)(A)(ii). Pub. L. 98-369, Sec. 111(a)(3), struck out '(200 percent declining balance method in the case of low-income housing)' after 'declining balance method'.

Subsec. (b)(2)(B). Pub. L. 98-369, Sec. 111(d), inserted '(using a mid-month convention)'.

Subsec. (b)(3)(A). Pub. L. 98-369, Sec. 111(e)(9)(A), substituted 'under paragraph (1), (2), or (4)' for 'under paragraphs (1) and (2)'.

Pub. L. 98-369, Sec. 111(e)(9)(B), substituted in table '18-year real property and low-income housing' for '15-year real property' and '18' for '15' and struck out 'years' after '45'.

Subsec. (b)(3)(B)(ii). Pub. L. 98-369, Sec. 111(e)(2), substituted '18-year real property or low-income housing,' for '15-year real property'.

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Subsec. (b)(3)(B)(iii). Pub. L. 98-369, Sec. 111(e)(1), substituted '18-year real property or low-income housing' for '15-year real property'.

Subsec. (b)(4). Pub. L. 98-369, Sec. 111(b)(1), added par. (4).

Subsec. (c)(2)(D). Pub. L. 98-369, Sec. 111(b)(3)(B), amended subpar. (D) generally, substituting '18-year real property' for '15-year real property' in heading and text and including within such definition section 1250 property which is not low-income housing.

Subsec. (c)(2)(F), (G). Pub. L. 98-369, Sec. 111(b)(2), added subpar. (F) and redesignated former subpar. (F) as (G).

Subsec. (d)(2)(B). Pub. L. 98-369, Sec. 111(e)(3), substituted '18-year real property or low-income housing' for '15-year real property'.

Subsec. (e). Pub. L. 98-369, Sec. 113(b)(2)(A), substituted 'title' for 'section' in provision preceding par. (1).

Subsec. (e)(5). Pub. L. 98-369, Sec. 113(b)(1), added par. (5).

Subsec. (f)(1)(B). Pub. L. 98-369, Sec. 111(c), designated existing provision as cl. (i), inserted heading, inserted ', and before March 16, 1984,' and struck out provision that for the purposes of the preceding sentence, the method of computing the deduction allowable with respect to such first component be determined as if it were a separate building, which provision is covered in cl. (iii), and added cls. (ii) and (iii).

Subsec. (f)(2)(B). Pub. L. 98-369, Sec. 111(e)(1), substituted '18-year real property or low-income housing' for '15-year real property' wherever appearing.

Subsec. (f)(2)(C)(i). Pub. L. 98-369, Sec. 111(e)(4), substituted in table '18-year real property or low-income housing' for '15-year real property'.

Subsec. (f)(2)(C)(ii)(II), (E), (5). Pub. L. 98-369, Sec. 111(e)(1), substituted '18-year real property or low-income housing' for '15-year real property'.

Subsec. (f)(8)(B)(ii)(I). Pub. L. 98-369, Sec. 12(a)(3)(A), in par. (8) as amended by section 209(a) of Pub. L. 97-248, substituted '1990' for '1986'.

Subsec. (f)(12)(C). Pub. L. 98-369, Sec. 628(b)(1), designated provisions preceding cl. (i) and cl. (i) as subpar. (C), and struck out cls. (ii), (iii), and (iv) which dealt with the application of subpar. (A) to a sewage or solid waste disposal facility, an air or water pollution control facility or a facility which has received an urban development action grant under section 119 of the Housing and Community Development

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Act of 1974.

Subsec. (f)(12)(D), (E). Pub. L. 98-369, Sec. 628(b)(2), redesignated subpar. (E) as (D) and struck out former subpar. (D) which read as follows: 'For purposes of this paragraph, the term 'existing facility' means a plant or property in operation before July 1, 1982.'

Subsec. (f)(13). Pub. L. 98-369, Sec. 32(a), added second par. (13) relating to motor vehicle operating leases.

Subsec. (f)(14). Pub. L. 98-369, Sec. 113(a)(2), added par. (14).

Subsec. (g)(2). Pub. L. 98-369, Sec. 31(d), inserted 'If any property (other than section 1250 class property) does not have a present class life within the meaning of the preceding sentence, the Secretary may prescribe a present class life for such property which reasonably reflects the anticipated useful life of such property to the industry or other group.'

Subsec. (i)(1)(D)(i). Pub. L. 98-369, Sec. 474(r)(7)(D), in subsec. (i) as amended by section 209(b) of Pub. L. 97-248, substituted 'subparts A, B, and D of part IV' for 'subpart A of part IV'.

Pub. L. 98-369, Sec. 474(r)(7)(A), in subsec. (i) as added by section 208(a)(1) of Pub. L. 97-248, substituted 'subparts A, B, and D of part IV' for 'subpart A of part IV'.

Subsec. (i)(1)(D)(iii). Pub. L. 98-369, Sec. 612(e)(5), in subsec. (i) as amended by section 209(b) of Pub. L. 97-248, substituted 'section 26(b)(2)' for 'section 25(b)(2)'.

Pub. L. 98-369, Sec. 612(e)(4), in subsec. (i) as added by section 208(a)(1) of Pub. L. 97-248, substituted 'section 26(b)(2)' for 'section 25(b)(2)'.

Pub. L. 98-369, Sec. 474(r)(7)(E), in subsec. (i) as amended by section 209(b) of Pub. L. 97-248, substituted 'section 25(b)(2)' for 'the last sentence of section 53(a)'.

Pub. L. 98-369, Sec. 474(r)(7)(B), in subsec. (i) as added by section 208(a)(1) of Pub. L. 97-248, substituted 'section 25(b)(2)' for 'the last sentence of section 53(a)'.

Subsec. (i)(4)(A). Pub. L. 98-369, Sec. 12(a)(3)(B), in subsec. (i) as amended by section 209(b) of Pub. L. 97-248, substituted '1989' for '1985' in cls. (i) and (ii).

Pub. L. 98-369, Sec. 474(r)(7)(C), in subsec. (i) as added by section 208(a)(1) of Pub. L. 97-248, substituted 'section 38' for 'subpart A of part IV of subchapter A of this chapter'.

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Subsecs. (j), (k). Pub. L. 98-369, Sec. 31(a), added subsec. (j) and redesignated former subsec. (j) as (k).

1983 - Subsec. (b)(2)(A). Pub. L. 97-448, Sec. 102(a)(5), substituted 'In the case of 15-year real property' for 'For purposes of this subparagraph' in third sentence.

Subsec. (c)(2)(F). Pub. L. 97-448, Sec. 102(a)(8), added subpar. (F).

Subsec. (d)(2)(B). Pub. L. 97-448, Sec. 102(a)(2), substituted 'paragraph (7) or (10) of subsection (f)' for 'subsection (f)(7)'.

Subsec. (e)(3)(C), (D). Pub. L. 97-424, Sec. 541(a)(1), added subpar. (C). Former subpar. (C) redesignated (D).

Subsec. (e)(4)(D). Pub. L. 97-448, Sec. 102(a)(9)(A), inserted provision that, in the case of the acquisition of property by any partnership which results from the termination of another partnership under section 708(b)(1)(B), the determination of whether the acquiring partnership is related to the other partnership shall be made immediately before the event resulting in such termination occurs.

Subsec. (e)(4)(H), (I). Pub. L. 97-448, Sec. 102(a)(9)(B), added subpars. (H) and (I).

Subsec. (f)(4)(B). Pub. L. 97-448, Sec. 102(f)(4), substituted 'Election made on return' for 'Made on return' as the subpar. (B) heading, designated existing provisions as cl. (i), added heading for cl. (i), substituted 'Except as provided in clause (ii), any election' for 'Any election', in cl. (i) as so designated, and added cl. (ii).

Subsec. (f)(5). Pub. L. 97-448, Sec. 102(a)(1), inserted provision that, in the case of 15-year real property, the first sentence of this paragraph shall not apply to the taxable year in which the property is placed in service or disposed of.

Subsec. (f)(8)(D). Pub. L. 97-448, Sec. 102(a)(10)(A), amended subpar. (D), as in effect before the amendments made by the Tax Equity and Fiscal Responsibility Act of 1982 (Pub. L. 97-248), is amended by inserting at end thereof the following new sentence: 'Under regulations prescribed by the Secretary, public utility property shall not be treated as qualified leased property unless the requirements of rules similar to the rules of subsection (e)(3) of this section and section 46(f) are met with respect to such property.' See 1982 Amendment note below for subsec. (f)(8)(D).

Subsec. (f)(13). Pub. L. 97-448, Sec. 102(a)(3), added par. (13).

Subsec. (g)(8)(A). Pub. L. 97-448, Sec. 102(a)(4)(B), substituted 'Qualified coal utilization property' for 'In general' in heading.

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Subsec. (g)(8)(B). Pub. L. 97-448, Sec. 102(a)(4)(C), substituted 'Coal utilization property' for 'In general' in heading.

Subsec. (h)(4). Pub. L. 97-448, Sec. 102(a)(4)(A), substituted 'coal utilization property which would otherwise be 15-year public utility property' for 'coal utilization property which is not 3-year property, 5-year property, or 10-year property (determined without regard to this paragraph)'.

1982 - Subsec. (b)(1). Pub. L. 97-248, Sec. 206(a), substituted 'table' for 'tables' in introductory provisions, struck out designation '(A)' preceding the table and struck out subpar. (A) heading which had limited the application of the table to property placed in service after Dec. 31, 1980, and before Jan. 1, 1985, and struck out subpars. (B) and (C), which had provided tables, respectively, for property placed in service in 1985 and for property placed in service after Dec. 31, 1985.

Subsec. (e)(4). Pub. L. 97-248, Sec. 206(b), 224(c)(1), substituted '1981' for '1986' in heading, in subpar. (E) inserted provision that a similar rule shall apply in the case of a deemed liquidation under section 338, and struck out former subpar. (H) which had provided for special rules for property placed in service before certain percentages took effect.

Subsec. (f)(8). Pub. L. 97-248, Sec. 209(a), amended par. (8) generally, substituting provisions relating to special rules for finance leases for provisions relating to special rule for leases.

Subsec. (f)(8)(A). Pub. L. 97-248, Sec. 208(a)(2)(A), inserted 'except as provided in subsection (i),' before 'for purposes of this subtitle'.

Subsec. (f)(8)(B)(i)(I). Pub. L. 97-354, Sec. 5(a)(19), substituted 'an S corporation' for 'an electing small business corporation (within the meaning of section 1371(b))' in subsec. (f)(8)(B)(i)(I) as in effect before the enactment of the Tax Equity and Fiscal Responsibility Act of 1982 (Pub. L. 97-248).

Pub. L. 97-248, Sec. 208(b)(1), inserted 'which is not a related person with respect to the lessee'.

Subsec. (f)(8)(B)(iii). Pub. L. 97-248, Sec. 208(b)(2), in subcl. (I) substituted '120 percent of the present class life of the property, or' for '90 percent of the useful life of such property for purposes of section 167, or', and in subcl. II substituted 'the period equal to the recovery period determined with respect to such property under subsection (i)(2)' for '150 percent of the present class life of such property'.

Subsec. (f)(8)(C)(i). Pub. L. 97-354, Sec. 5(a)(20), in par. (8) as amended by section 209(a) of Pub. L. 97-248, substituted 'an S corporation' for 'an electing small business corporation within the meaning of section 1371(b)'.

Subsec. (f)(8)(D). Pub. L. 97-248, Sec. 208(b)(3), amended subpar. (D) generally. Prior to amendment, subpar. (D) read as follows:

(D) Qualified leased property defined. - For purposes of subparagraph (A), the term 'qualified leased property' means recovery property (other than a qualified rehabilitated building within the meaning of section 48(g)(1)) which is -

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'(i) new section 38 property (as defined in section 48(b)) of the lessor which is leased within 3 months after such property was placed in service and which, if acquired by the lessee, would have been new section 38 property of the lessee,

'(ii) property -

'(I) which was new section 38 property of the lessee,

'(II) which was leased within 3 months after such property was placed in service by the lessee, and

'(III) with respect to which the adjusted basis of the lessor does not exceed the adjusted basis of the lessee at the time of the lease, or

'(iii) property which is a qualified mass commuting vehicle (as defined in section 103(b)(9)) and which is financed in whole or in part by obligations the interest on which is excludable from income under section 103(a).

For purposes of this title (other than this subparagraph), any property described in clause (i) or (ii) to which subparagraph (A) applies shall be deemed originally placed in service not earlier than the date such property is used under the lease. In the case of property placed in service after December 31, 1980, and before the date of the enactment of this subparagraph, this subparagraph shall be applied by submitting 'the date of the enactment of this subparagraph' for 'such property was placed in service.' See 1983 Amendment note above for subsec. (f)(8)(D).

Subsec. (f)(8)(H) to (K). Pub. L. 97-248, Sec. 208(b)(4), added subpars. (H) to (J) and redesignated former subpar. (H) as (K).

Subsec. (f)(10)(B)(i). Pub. L. 97-248, Sec. 224(c)(2), struck out '(other than a transaction with respect to which the basis is determined under section 334(b)(2))' after 'section 332'.

Subsec. (f)(12). Pub. L. 97-248, Sec. 216(a), added par. (12).

Subsec. (i). Pub. L. 97-248, Sec. 209(b), amended subsec. (i) generally, substituting provisions concerning limitations relating to leases of finance lease property for provisions concerning limitations relating to lease of qualified leased property.

Pub. L. 97-248, Sec. 208(a)(1), added subsec. (i). Former subsec. (i) redesignated (j).

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Subsec. (j). Pub. L. 97-248, Sec. 208(a)(1), redesignated former subsec. (i) as (j).

EFFECTIVE DATE OF 2018 AMENDMENTS

Amendments by Pub. L. 115-141, Div. U, Sec. 101(d), effective as if included in the provision of the Protecting Americans from Tax Hikes Act of 2015 (Sec. 143) to which it relates (effective for property placed in service after Dec. 31, 2014, in taxable years ending after such date).

Amendments by Pub. L. 115-141, Div. U, Sec. 101(e), effective as if included in the provision of the Protecting Americans from Tax Hikes Act of 2015 (Sec. 167) to which it relates (effective for property placed in service after Dec. 31, 2014).

Amendments by Pub. L. 115-141, Div. U, Sec. 302(a), effective for property placed in service after the date of the enactment of this Act [Enacted: Mar. 23, 2018].

Amendment by Pub. L. 115-141, Div. U, Sec. 401(a), (d), effective March 23, 2018.

Amendment by Pub. L. 115-141, Div. U, Sec. 401(b)(13)(A), effective March 23, 2018, except for property placed in service before the date of the enactment of this Act [Enacted: March 23, 2018].

Sec. 401(e) of Pub. L. 115-141, Div. U, provided the following Savings Provision:

"(e) General Savings Provision With Respect To Deadwood Provisions.—If—

"(1) any provision amended or repealed by the amendments made by subsection (b) or (d) applied to—

"(A) any transaction occurring before the date of the enactment of this Act,

"(B) any property acquired before such date of enactment, or

"(C) any item of income, loss, deduction, or credit taken into account before such date of enactment, and

"(2) the treatment of such transaction, property, or item under such provision would (without regard to the amendments or repeals made by such subsection) affect the liability for tax for periods ending after such date of enactment,

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"nothing in the amendments or repeals made by this section shall be construed to affect the treatment of such transaction, property, or item for purposes of determining liability for tax for periods ending after such date of enactment."

Amendment by Pub. L. 115-123, Sec. 40304(a), effective for property placed in service after December 31, 2016.

Amendment by Pub. L. 115-123, Sec. 40305(a), effective for property placed in service after December 31, 2016.

Amendment by Pub. L. 115-123, Sec. 40306(a), effective for property placed in service after December 31, 2016.

Amendment by Pub. L. 115-123, Sec. 40412(a), effective for property placed in service after December 31, 2016.

EFFECTIVE DATE OF 2017 AMENDMENTS

Amendment by Pub. L. 115-97, Sec. 12001(b)(13), effective for taxable years beginning after December 31, 2017.

Amendments by Pub. L. 115-97, Sec. 13201, effective for (1) property which (A) is acquired after September 27, 2017, and (B) is placed in service after such date, and (2) specified plants planted or grafted after September 27, 2017. Pub. L. 115-97, Sec. 13201(h)(1), provided that property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.

Amendments by Pub. L. 115-97, Sec. 13203, effective for property placed in service after December 31, 2017, in taxable years ending after such date.

Amendments by Pub. L. 115-97, Sec. 13204, effective for property placed in service after December 31, 2017, except that amendments by Pub. L. 115-97, Sec. 13204(a)(3)(A), are effective for taxable years beginning after December 31, 2017.

Amendments by Pub. L. 115-97, Sec. 13204, effective for property placed in service after December 31, 2017.

Amendments by Pub. L. 115-97, Sec. 13205(a), effective for taxable years beginning after December 31, 2017.

Amendment by Pub. L. 115-97, Sec. 13504(b)(1), effective for partnership taxable years beginning after December 31, 2017.

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EFFECTIVE DATE OF 2015 AMENDMENTS

Amendments by Pub. L. 114-113, Div. Q, Sec. 123, effective for property placed in service after December 31, 2014.

Amendments by Pub. L. 114-113, Div. Q, Sec. 143(a)(3), effective taxable years ending after December 31, 2014.

Amendments by Pub. L. 114-113, Div. Q, Sec. 143(a)(1) and (4), effective for property placed in service after December 31, 2014, in taxable years ending after such date.

Amendments by Pub. L. 114-113, Div. Q, Sec. 143(b)(1), (2), (4)(A), (5) and (6), effective for property placed in service after December 31, 2015, in taxable years ending after such date.

Amendment by Pub. L. 114-113, Div. Q, Sec. 143(b)(3), effective for taxable years ending after December 31, 2015, except that in the case of any taxable year beginning before January 1, 2016, and ending after December 31, 2015, the limitation under section 168(k)(4)(B)(ii) of the Internal Revenue Code of 1986 shall be the sum of—

"(i) the product of—

"(I) the maximum increase amount (within the meaning of section 168(k)(4)(C)(iii) of such Code, as in effect before the amendments made by Act section 143(b)), multiplied by

"(II) a fraction the numerator of which is the number of days in the taxable year before January 1, 2016, and the denominator of which is the number of days in the taxable year, plus

"(ii) the product of—

"(I) such limitation (determined without regard to this subparagraph), multiplied by

"(II) a fraction the numerator of which is the number of days in the taxable year after December 31, 2015, and the denominator of which is the number of days in the taxable year."

Amendment by Pub. L. 114-113, Div. Q, Sec. 143(b)(4)(B), effective for specified plants (as defined in section 168(k)(5)(B) of the Internal Revenue Code of 1986) planted or grafted after December 31, 2015.

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Amendments by Pub. L. 114-113, Div. Q, Sec. 165, effective for property placed in service after December 31, 2014.

Amendment by Pub. L. 114-113, Div. Q, Sec. 166(a), effective for property placed in service after December 31, 2014.

Amendment by Pub. L. 114-113, Div. Q, Sec. 167(a), effective for property placed in service after December 31, 2014.

Amendment by Pub. L. 114-113, Div. Q, Sec. 167(b), effective for property placed in service after December 31, 2015.

Amendment by Pub. L. 114-113, Div. Q, Sec. 189(a), effective for property placed in service after December 31, 2014.

EFFECTIVE DATE OF 2014 AMENDMENTS

Amendments by Pub. L. 113-295, Div. A, Sec. 121, 122, 123, and 124 effective for property placed in service after December 31, 2013.

Amendments by Pub. L. 113-295, Div. A, Sec. 125, effective for property placed in service after December 31, 2013, in taxable years ending after such date.

Amendment by Pub. L. 113-295, Div. A, Sec. 157, effective for property placed in service after December 31, 2013.

Amendment by Pub. L. 113-295, Div. A, Sec. 202(e), effective as if included in the provisions of the American Taxpayer Relief Act of 2012 [Pub. L. 112-240, Sec. 331] to which it relates [Effective for property placed in service after December 31, 2012, in taxable years ending after such date].

Amendments by Pub. L. 113-295, Div. A, Sec. 210(c), effective as if included in the provisions of the Energy Improvement and Extension Act of 2008 [Pub. L. 110-343, Div. B, Sec. 306] to which they relate [Effective for property placed in service after Oct. 3, 2008].

Amendments by Pub. L. 113-295, Div. A, Sec. 210(d), effective as if included in the provisions of the Energy Improvement and Extension Act of 2008 [Pub. L. 110-343, Div. B, Sec. 308] to which they relate [Effective for property placed in service after August 31, 2008].

Amendments by Pub. L. 113-295, Div. A, Sec. 210(g)(2), effective as if included in the provisions of the Energy Improvement and Extension Act of 2008 [Pub. L. 110-343, Div. B, Sec. 306] to which they relate [Effective for property placed in service after Oct. 3, 2008].

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Amendments by Pub. L. 113-295, Div. A, Sec. 211(b), effective as if included in the provisions of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 to which they relate.

Amendment by Pub. L. 113-295, Div. A, Sec. 212(b), effective as if included in the provision of the Housing Assistance Tax Act of 2008 to which it relates.

Amendment by Pub. L. 113-295, Div. A, Sec. 214(b), effective as if included in the provision of the Economic Stimulus Act of 2008 to which it relates.

EFFECTIVE DATE OF 2013 AMENDMENTS

Amendments by Sec. 311 of Pub. L. 112-240 effective for property placed in service after December 31, 2011.

Amendments by Sec. 312 of Pub. L. 112-240 effective for property placed in service after December 31, 2011.

Amendments by Sec. 331 of Pub. L. 112-240 effective for property placed in service after December 31, 2012, in taxable years ending after such date.

Amendments by Sec. 410(a) of Pub. L. 112-240 effective for property placed in service after December 31, 2012.

Amendments by Sec. 410(b) of Pub. L. 112-240 effective for property placed in service after the date of the enactment of this Act [Enacted: Jan. 2, 2013].

EFFECTIVE DATE OF 2010 AMENDMENTS

Amendments by Sec. 401(a), (c)-(d) of Pub. L. 111-312 effective for property placed in service after December 31, 2010, in taxable years ending after such date.

Amendments by Sec. 401(b) of Pub. L. 111-312 effective for property placed in service after September 8, 2010, in taxable years ending after such date.

Amendments by Sec. 737 of Pub. L. 111-312 effective for property placed in service after December 31, 2009.

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Amendment by Sec. 738(a) of Pub. L. 111-312 effective for property placed in service after December 31, 2009.

Amendment by Sec. 739(a) of Pub. L. 111-312 effective for property placed in service after December 31, 2009.

Amendments by Sec. 2022 of Pub. L. 111-240 effective for property placed in service after December 31, 2009, in taxable years ending after such date.

EFFECTIVE DATE OF 2009 AMENDMENTS

Amendments by Div. B, Sec. 1201 (except for subsections (a)(3) and (b)(2)), of Pub. L. 111-5 effective for property placed in service after December 31, 2008, in taxable years ending after such date. Amendments made by subsections (a)(3) and (b)(2) are effective for taxable years ending after March 31, 2008.

EFFECTIVE DATE OF 2008 AMENDMENTS

Amendments by Div. B, Sec. 201 of Pub. L. 110-343 effective for property placed in service after the date of the enactment of this Act [Enacted: Oct. 3, 2008], in taxable years ending after such date..

Amendments by Div. B, Sec. 306 of Pub. L. 110-343 effective for property placed in service after the date of the enactment of this Act [Enacted: Oct. 3, 2008].

Amendment by Div. B, Sec. 308(a) of Pub. L. 110-343 effective for property placed in service after August 31, 2008.

Amendments by Div. C, Sec. 305(a) of Pub. L. 110-343 effective for property placed in service after December 31, 2007.

Amendments by Div. C, Sec. 305(b) of Pub. L. 110-343 effective for property placed in service after December 31, 2008.

Amendments by Div. C, Sec. 305(c) of Pub. L. 110-343 effective for property placed in service after December 31, 2008.

Amendment by Div. C, Sec. 315(a) of Pub. L. 110-343 effective for property placed in service after December 31, 2007.

Amendment by Div. C, Sec. 317(a) of Pub. L. 110-343 effective for property placed in service after December 31, 2007.

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Amendments by Div. C, Sec. 505 of Pub. L. 110-343 effective for property placed in service after December 31, 2008.

Amendment by Div. C, Sec. 710 of Pub. L. 110-343 effective for property placed in service after December 31, 2007, with respect to disasters declared after such date.

Amendment by Sec. 3081(a) of Pub. L. 110-289 effective for taxable years ending after March 31, 2008. Sec. 3081(b) of Pub. L. 110-289 provided the following special rule:

"(b) APPLICATION TO CERTAIN AUTOMOTIVE PARTNERSHIPS

"(1) IN GENERAL.—If an applicable partnership elects the application of this subsection—

"(A) the partnership shall be treated as having made a payment against the tax imposed by chapter 1 of the Internal Revenue Code of 1986 for any applicable taxable year of the partnership in the amount determined under paragraph (3),

"(B) in the case of any eligible qualified property placed in service by the partnership during any applicable taxable year—

"(i) section 168(k) of such Code shall not apply in determining the amount of the deduction allowable with respect to such property under section 168 of such Code,

"(ii) the applicable depreciation method used with respect to such property shall be the straight line method, and

"(C) the amount of the credit determined under section 41 of such Code for any applicable taxable year with respect to the partnership shall be reduced by the amount of the deemed payment under subparagraph (A) for the taxable year.

"(2) TREATMENT OF DEEMED PAYMENT.—

"(A) IN GENERAL.—Notwithstanding any other provision of the Internal Revenue Code of 1986, the Secretary of the Treasury or his delegate shall not use the payment of tax described in paragraph (1) as an offset or credit against any tax liability of the applicable partnership or any partner but shall refund such payment to the applicable partnership.

"(B) NO INTEREST.—The payment described in paragraph (1) shall not be taken into account in determining any amount of interest under such Code.

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"(3) AMOUNT OF DEEMED PAYMENT.—The amount determined under this paragraph for any applicable taxable year shall be the least of the following:

"(A) The amount which would be determined for the taxable year under section 168(k)(4)(C)(i) of the Internal Revenue Code of 1986 (as added by the amendments made by this section) if an election under section 168(k)(4) of such Code were in effect with respect to the partnership.

"(B) The amount of the credit determined under section 41 of such Code for the taxable year with respect to the partnership.

"(C) \$30,000,000, reduced by the amount of any payment under this subsection for any preceding taxable year.

"(4) DEFINITIONS.—For purposes of this subsection—

"(A) APPLICABLE PARTNERSHIP.—The term "applicable partnership" means a domestic partnership that—

"(i) was formed effective on August 3, 2007, and

"(ii) will produce in excess of 675,000 automobiles during the period beginning on January 1, 2008, and ending on June 30, 2008.

"(B) APPLICABLE TAXABLE YEAR.—The term "applicable taxable year" means any taxable year during which eligible qualified property is placed in service.

"(C) ELIGIBLE QUALIFIED PROPERTY.— The term "eligible qualified property" has the meaning given such term by section 168(k)(4)(D) of the Internal Revenue Code of 1986 (as added by the amendments made by this section)."

Amendment by Sec. 15344(a) of Pub. L. 110-246 effective for property placed in service after December 31, 2008.

Amendments by Sec. 103 of Pub. L. 110-185 effective for property placed in service after December 31, 2007, in taxable years ending after such date.

EFFECTIVE DATE OF 2007 AMENDMENTS

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Amendment by Sec. 11(b)(1) of Pub. L. 110-172 effective as if included in the provision of the Tax Relief and Health Care Act of 2006 [Pub. L. 109-432, Div. A, Sec. 209] to which it relates.

EFFECTIVE DATE OF 2006 AMENDMENTS

Amendment by Sec. 112(a) of Pub. L. 109-432 effective for property placed in service after December 31, 2005.

Amendments by Sec. 113(a) of Pub. L. 109-432 effective for property placed in service after December 31, 2005.

Amendment by Sec. 209(a) of Pub. L. 109-432 effective for property placed in service after the date of the enactment of this Act [Enacted: Dec. 20, 2006] in taxable years ending after such date.

EFFECTIVE DATE OF 2005 AMENDMENTS

Amendments by Sec. 403(j) of Pub. L. 109-135 effective as if included in the provisions of the American Jobs Creation Act of 2004 [Pub. L. 108-357, Sec. 336] to which they relate.

Amendment by Sec. 405(a)(1) of Pub. L. 109-135 effective as if included in the provisions of the Jobs Growth and Tax Relief Reconciliation Act of 2003 [Pub. L. 108-27, Sec. 201] to which it relates.

Amendment by Sec. 410(a) of Pub. L. 109-35 effective as if included in the provisions of the Omnibus Budget Reconciliation Act of 1990 [Pub. 101-508, Sec. 11813] to which it relates.

Amendments by Sec. 412(s) of Pub. L. 109-135 effective on the date of the enactment of this Act [Enacted: Dec. 21, 2005].

Amendment by Sec. 1301(f)(5) of Pub. L. 109-58 effective as if included in the amendments made by section 710 of the American Jobs Creation Act of 2004 [Pub. L. 108-357].

Amendments by Sec. 1308 of Pub. L. 109-58 effective for property placed in service after April 11, 2005, except for any property with respect to which the taxpayer or a related party has entered into a binding contract for the construction thereof on or before April 11, 2005, or, in the case of self-constructed property, has started construction on or before such date.

Amendments by Sec. 1325 of Pub. L. 109-58 effective for property placed in service after April 11, 2005, except for any property with respect to which the taxpayer or a related party has entered into a binding contract for the construction thereof on or before April 11, 2005, or, in the case of self-constructed property, has started construction on or before such date.

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Amendments by Sec. 1326 of Pub. L. 109-58 effective for property placed in service after April 11, 2005, except for any property with respect to which the taxpayer or a related party has entered into a binding contract for the construction thereof on or before April 11, 2005, or, in the case of self-constructed property, has started construction on or before such date.

EFFECTIVE DATE OF 2004 AMENDMENTS

Amendments by Sec. 211 of Pub. L. 108-357 effective for property placed in service after the date of the enactment of this Act [Enacted: Oct. 22, 2004].

Amendments by Sec. 336 of Pub. L. 108-357 effective as if included in the amendments made by section 101 of the Job Creation and Worker Assistance Act of 2002 [Effective date: property placed in service after September 10, 2001, in taxable years ending after such date].

Amendments by Sec. 337 of Pub. L. 108-357 effective for property sold after June 4, 2004.

Amendments by Sec. 704 of Pub. L. 108-357 effective for property placed in service after the date of the enactment of this Act [Enacted: Oct. 22, 2004]. Sec. 704(c)(2)-(3) provided the following special rules:

"(2) SPECIAL RULE FOR ASSET CLASS 80.0- In the case of race track facilities placed in service after the date of the enactment of this Act, such facilities shall not be treated as theme and amusement facilities classified under asset class 80.0.

"(3) NO INFERENCE- Nothing in this section or the amendments made by this section shall be construed to affect the treatment of property placed in service on or before the date of the enactment of this Act."

Amendments by Sec. 706 of Pub. L. 108-357 effective for property placed in service after December 31, 2004.

Pub. L. 108-357, Sec. 849(a), as amended by Pub. L. 109-135, Sec. 403(ff), provided that "Except as provided in this section, the amendments made by this part [Sec. 847 and 848] shall apply to leases entered into after March 12, 2004, and in the case of property treated as tax-exempt use property other than by reason of a lease, to property acquired after March 12, 2004." Sec. 849(b) of Pub. L. 108-357 provided the following rules:

"(b) EXCEPTION-

"(1) IN GENERAL- The amendments made by this part shall not apply to qualified transportation property.

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"(2) QUALIFIED TRANSPORTATION PROPERTY- For purposes of paragraph (1), the term 'qualified transportation property' means domestic property subject to a lease with respect to which a formal application--

"(A) was submitted for approval to the Federal Transit Administration (an agency of the Department of Transportation) after June 30, 2003, and before March 13, 2004,

"(B) is approved by the Federal Transit Administration before January 1, 2006, and

"(C) includes a description of such property and the value of such property.

"(3) EXCHANGES AND CONVERSION OF TAX-EXEMPT USE PROPERTY- Section 470(e)(4) of the Internal Revenue Code of 1986, as added by section 848, shall apply to property exchanged or converted after the date of the enactment of this Act.

"(4) INTANGIBLES AND INDIAN TRIBAL GOVERNMENTS- The amendments made subsections (b)(2), (b)(3), and (e) of section 847, and the treatment of property described in clauses (ii) and (iii) of section 470(c)(2)(B) of the Internal Revenue Code of 1986 (as added by section 848) as tangible property, shall apply to leases entered into after October 3, 2004."

Amendments by Sec. 901 of Pub. L. 108-357 effective for property placed in service after the date of the enactment of this Act [Enacted: Oct. 22, 2004].

Amendment by Sec. 316 of Pub. L. 108-311 effective on the date of the enactment of this Act [Enacted: Oct. 4, 2004].

Amendments by Sec. 403(a) of Pub. L. 108-311 effective as if included in the provisions of the Job Creation and Worker Assistance Act of 2002 [Sec. 101] to which they relate [effective date: property placed in service after Sept. 10, 2001, in taxable years ending after such date].

Amendments by Sec. 408(a) of Pub. L. 108-311 effective on the date of the enactment of this Act [Enacted: Oct. 4, 2004].

EFFECTIVE DATE OF 2003 AMENDMENTS

Amendment by Sec. 201 of Pub. L. 108-27 effective for taxable years ending after May 5, 2003.

EFFECTIVE DATE OF 2002 AMENDMENTS

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Amendment by Sec. 101(a) of Pub. L. 107-147 effective for property placed in service after September 10, 2001, in taxable years ending after such date.

Amendment by Sec. 613(b) of Pub. L. 107-147 effective on the date of the enactment of this Act [Enacted: Mar. 9, 2002].

EFFECTIVE DATE OF 1998 AMENDMENTS

Amendments by Sec. 6006(b) of Pub. L. 105-206 effective as if included in the provisions of the Taxpayer Relief Act of 1997 to which they relate [Effective Date of Pub. L. 105-34, Sec. 402: Aug. 5, 1997].

EFFECTIVE DATE OF 1997 AMENDMENTS

Amendments by Sec. 1086(b) of Pub. L. 105-34 effective for property placed in service after the date of the enactment of this Act [Aug. 5, 1997].

Amendment by Sec. 1213(c) of Pub. L. 105-34 effective for leases entered into after the date of the enactment of this Act [Aug. 5, 1997].

Amendment by Sec. 1604(c)(1) of Pub. L. 105-34 effective as if included in the amendments made by section 13321 of the Omnibus Budget Reconciliation Act of 1993, except that such amendment shall not apply--

(A) with respect to property (with an applicable recovery period under section 168(j) of the Internal Revenue Code of 1986 of 6 years or less) held by the taxpayer if the taxpayer claimed the benefits of section 168(j) of such Code with respect to such property on a return filed before March 18, 1997, but only if such return is the first return of tax filed for the taxable year in which such property was placed in service, or

(B) with respect to wages for which the taxpayer claimed the benefits of section 45A of such Code for a taxable year on a return filed before March 18, 1997, but only if such return was the first return of tax filed for such taxable year [Aug. 5, 1997].

EFFECTIVE DATE OF 1996 AMENDMENTS

Section 1120(c) of Pub. L. 104-188 provided that: 'The amendments made by this section shall apply to property which is placed in service on or after the date of the enactment of this Act [Aug. 20, 1996] and to which section 168 of the Internal Revenue Code of 1986 applies after the amendment made by section 201 of the Tax Reform Act of 1986. A taxpayer may elect (in such form and manner as the Secretary of the Treasury may prescribe) to have such amendments apply with respect to any property placed in service before such date and to which such section so applies.'

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Amendment by section 1121(a) of Pub. L. 104-188 applicable to improvements disposed of or abandoned after June 12, 1996.

Section 1613(b)(5) of Pub. L. 104-188 provided that: 'The amendments made by this subsection shall apply to property placed in service after June 12, 1996, other than property placed in service pursuant to a binding contract in effect before June 10, 1996, and at all times thereafter before the property is placed in service.'

Amendments by section 1702(i) of Pub. L. 104-188, except as otherwise expressly provided, effective as if included in the related provision of the Revenue Reconciliation Act of 1990.

EFFECTIVE DATE OF 1995 AMENDMENTS

Amendment by section 304 of Pub. L. 104-88 effective January 1, 1996.

EFFECTIVE DATE OF 1993 AMENDMENTS

Amendment by section 13151(a) of Pub. L. 103-66 effective for property placed in service by the taxpayer on or after May 13, 1993. Sec. 13151(b)(2) provides:

"(2) Exception. --

"The amendments made by this section shall not apply to property placed in service by the taxpayer before January 1, 1994, if --

"(A) the taxpayer or a qualified person entered into a binding written contract to purchase or construct such property before May 13, 1993,
or

"(B) the construction of such property was commenced by or for the taxpayer or a qualified person before May 13, 1993.

"For purposes of this paragraph, the term "qualified person" means any person who transfers his rights in such a contract or such property to the taxpayer but only if the property is not placed in service by such person before such rights are transferred to the taxpayer."

Amendment by section 13321(a) of Pub. L. 103-66 effective for property placed in service after December 31, 1993.

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EFFECTIVE DATE OF 1990 AMENDMENTS

Amendment by section 11812(b)(2) of Pub. L. 101-508 applicable to property placed in service after Nov. 5, 1990, but not applicable to any property to which section 168 of this title does not apply by reason of subsec. (f)(5) of section 168, and not applicable to rehabilitation expenditures described in section 252(f)(5) of Pub. L. 99-514, see section 11812(c) of Pub. L. 101-508, set out as a note under section 42 of this title.

Amendment by section 11813(b)(9) of Pub. L. 101-508 applicable to property placed in service after Dec. 31, 1990, but not applicable to any transition property (as defined in section 49(e) of this title), any property with respect to which qualified progress expenditures were previously taken into account under section 46(d) of this title, and any property described in section 46(b)(2)(C) of this title, as such sections were in effect on Nov. 4, 1990, see section 11813(c) of Pub. L. 101-508, set out as a note under section 29 of this title.

EFFECTIVE DATE OF 1989 AMENDMENTS

Amendment by Pub. L. 101-239 effective, except as otherwise provided, as if included in the provision of the Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 7817 of Pub. L. 101-239, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1988 AMENDMENTS

Section 1002(a)(23)(B) of Pub. L. 100-647 provided that: 'Clause (ii) of section 168(d)(3)(B) of the 1986 Code (as added by subparagraph (A)) shall apply to taxable years beginning after March 31, 1988, unless the taxpayer elects, at such time and in such manner as the Secretary of the Treasury or his delegate may prescribe, to have such clause apply to taxable years beginning on or before such date.'

Amendment by sections 1002(a)(5)-(8), (11), (16)(B), (21), (i)(2)(A)-(G), and 1018(b)(2) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

Section 6027(c) of Pub. L. 100-647 provided that:

'(1) In general. - Except as provided in paragraph (2), the amendments made by this section (amending this section) shall apply to property placed in service after December 31, 1988.

'(2) Exception. - The amendments made by this section shall not apply to any property if such property is placed in service before January 1, 1990, and if such property -

'(A) is constructed, reconstructed, or acquired by the taxpayer pursuant to a written contract which was binding on July 14, 1988, or

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'(B) is constructed or reconstructed by the taxpayer and such construction or reconstruction began by July 14, 1988.'

Section 6028(b) of Pub. L. 100-647 provided that:

'(1) In general. - Except as provided in paragraph (2), the amendments made by this section (amending this section) shall apply to property placed in service after December 31, 1988.

'(2) Exception. - The amendments made by this section shall not apply to any property if such property is placed in service before July 1, 1989, and if such property -

'(A) is constructed, reconstructed, or acquired by the taxpayer pursuant to a written contract which was binding on July 14, 1988, or

'(B) is constructed or reconstructed by the taxpayer and such construction or reconstruction began by July 14, 1988.'

Section 6029(d) of Pub. L. 100-647 provided that: 'The amendments made by this section (amending this section) shall apply to property placed in service after December 31, 1988.'

EFFECTIVE DATE OF 1986 AMENDMENT; TRANSITIONAL RULES

Sections 203 and 204 of Pub. L. 99-514, as amended by Pub. L. 99-509, title VIII, Sec. 8071, Oct. 21, 1986, 100 Stat. 1964; Pub. L. 100-647, title I, Sec. 1002(c)(1), (2), (4)-(8), (d)(1)-(7)(A), (8)-(35), Nov. 10, 1988, 102 Stat. 3358-3367, provided that: 'SEC. 203. EFFECTIVE DATES; GENERAL TRANSITIONAL RULES.

'(a) General Effective Dates. -

'(1) Section 201. -

'(A) In general. - Except as provided in this section, section 204, and section 251(d) (set out as a note under section 46 of this title), the amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall apply to property placed in service after December 31, 1986, in taxable years ending after such date.

'(B) Election to have amendments made by section 201 apply. - A taxpayer may elect (at such time and in such manner as the Secretary of

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the Treasury or his delegate may prescribe) to have the amendments made by section 201 apply to any property placed in service after July 31, 1986, and before January 1, 1987. No election may be made under this subparagraph with respect to property to which section 168 of the Internal Revenue Code of 1986 would not apply by reason of section 168(f)(5) of such Code if such property were placed in service after December 31, 1986.

(2) Section 202. -

(A) In general. - The amendments made by section 202 (amending section 179 of this title) shall apply to property placed in service after December 31, 1986, in taxable years ending after such date.

(B) Special rule for fiscal years including January 1, 1987.

- In the case of any taxable year (other than a calendar year) which includes January 1, 1987, for purposes of applying the amendments made by section 202 to property placed in service during such taxable year and after December 31, 1986 -

(i) the limitation of section 179(b)(1) of the Internal Revenue Code of 1986 (as amended by section 202) shall be reduced by the aggregate deduction under section 179 (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986 (Oct. 22, 1986)) for section 179 property placed in service during such taxable year and before January 1, 1987,

(ii) the limitation of section 179(b)(2) of such Code (as so amended) shall be applied by taking into account the cost of all section 179 property placed in service during such taxable year, and

(iii) the limitation of section 179(b)(3) of such Code shall be applied by taking into account the taxable income for the entire taxable year reduced by the amount of any deduction under section 179 of such Code for property placed in service during such taxable year and before January 1, 1987.

(b) General Transitional Rule. -

(1) In general. - The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to

(A) any property which is constructed, reconstructed, or acquired by the taxpayer pursuant to a written contract which was binding on March 1, 1986,

(B) property which is constructed or reconstructed by the taxpayer if -

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(i) the lesser of (I) \$1,000,000, or (II) 5 percent of the cost of such property has been incurred or committed by March 1, 1986, and

(ii) the construction or reconstruction of such property began by such date, or

(C) an equipped building or plant facility if construction has commenced as of March 1, 1986, pursuant to a written specific plan and more than one-half of the cost of such equipped building or facility has been incurred or committed by such date. For purposes of this paragraph, all members of the same affiliated group of corporations (within the meaning of section 1504 of the Internal Revenue Code of 1986) filing a consolidated return shall be treated as one taxpayer.

(2) Requirement that certain property be placed in service before certain date. -

(A) In general. - Paragraph (1) and section 204(a) (other than paragraph (8) or (12) thereof) shall not apply to any property unless such property has a class life of at least 7 years and is placed in service before the applicable date determined under the following table: -----

In the case of property with a class life of:	The applicable date is:
At least 7 but less than 20 years	January 1, 1989
20 years or more	January 1, 1991.

(B) Residential rental and nonresidential real property. - In the case of residential rental property and nonresidential real property, the applicable date is January 1, 1991.

(C) Class lives. - For purposes of subparagraph (A) -

(i) the class life of property to which section 168(g)(3)(B) of the Internal Revenue Code of 1986 (as added by section 201) applies shall be the class life in effect on January 1, 1986, except that computer-based telephone central office switching equipment described in section 168(e)(3)(B)(iii) of such Code shall be treated as having a class life of 6 years,

(ii) property described in section 204(a) shall be treated as having a class life of 20 years, and

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'(iii) property with no class life shall be treated as having a class life of 12 years.

'(D) Substitution of applicable dates. - If any provision of this Act (see Tables for classification) substitutes a date for an applicable date, this paragraph shall be applied by using such date.

'(3) Property qualifies if sold and leased back in 3 months. - Property shall be treated as meeting the requirements of paragraphs (1) and (2) or section 204(a) with respect to any taxpayer if such property is acquired by the taxpayer from a person -

'(A) in whose hands such property met the requirements of paragraphs (1) and (2) or section 204(a) (or would have met such requirements if placed in service by such person), or

'(B) who placed the property in service before January 1, 1987, and such property is leased back by the taxpayer to such person, or is leased to such person, not later than the earlier of the applicable date under paragraph (2) or the day which is 3 months after such property was placed in service.

'(4) Plant facility. - For purposes of paragraph (1), the term 'plant facility' means a facility which does not include any building (or with respect to which buildings constitute an insignificant portion) and which is -

'(A) a self-contained single operating unit or processing operation,

'(B) located on a single site, and

'(C) identified as a single unitary project as of March 1, 1986.

'(c) Property Financed With Tax-Exempt Bonds. -

'(1) In general. - Except as otherwise provided in this subsection or section 204, subparagraph (C) of section 168(g)(1) of the Internal Revenue Code of 1986 (as added by this Act) shall apply to property placed in service after December 31, 1986, in taxable years ending after such date, to the extent such property is financed by the proceeds of an obligation (including a refunding obligation) issued after March 1, 1986.

'(2) Exceptions. -

'(A) Construction or binding agreements. - Subparagraph (C) of section 168(g)(1) of such Code (as so added) shall not apply to obligations with respect to a facility -

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'(i)(I) the original use of which commences with the taxpayer, and the construction, reconstruction, or rehabilitation of which began before March 2, 1986, and was completed on or after such date,

'(II) with respect to which a binding contract to incur significant expenditures for construction, reconstruction, or rehabilitation was entered into before March 2, 1986, and some of such expenditures are incurred on or after such date, or

'(III) acquired on or after March 2, 1986, pursuant to a binding contract entered into before such date, and

'(ii) described in an inducement resolution or other comparable preliminary approval adopted by the issuing authority (or by a voter referendum) before March 2, 1986.

'(B) Refunding. -

'(i) In general. - Except as provided in clause (ii), in the case of property placed in service after December 31, 1986, which is financed by the proceeds of an obligation which is issued solely to refund another obligation which was issued before March 2, 1986, subparagraph (C) of section 168(g)(1) of such Code (as so added) shall apply only with respect to an amount equal to the basis in such property which has not been recovered before the date such refunded obligation is issued.

'(ii) Significant expenditures. - In the case of facilities the original use of which commences with the taxpayer and with respect to which significant expenditures are made before January 1, 1987, subparagraph (C) of section 168(g)(1) of such Code (as so added) shall not apply with respect to such facilities to the extent such facilities are financed by the proceeds of an obligation issued solely to refund another obligation which was issued before March 2, 1986.

'(C) Facilities. - In the case of an inducement resolution or other comparable preliminary approval adopted by an issuing authority before March 2, 1986, for purposes of subparagraphs (A) and (B)(ii) with respect to obligations described in such resolution, the term 'facilities' means the facilities described in such resolution.

'(D) Significant expenditures. - For purposes of this paragraph, the term 'significant expenditures' means expenditures greater than 10 percent of the reasonably anticipated cost of the construction, reconstruction, or rehabilitation of the facility involved.

'(d) Mid-Quarter Convention. -

In the case of any taxable year beginning before October 1, 1987 in which property to which the amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) do not apply is placed in service, such property shall be taken into account in determining whether section 168(d)(3) of the Internal Revenue Code of 1986 (as added by section 201) applies for such taxable year to property to which such amendments apply. The preceding sentence shall only apply to property which would be taken into account if such amendments did apply.

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'(e) Normalization Requirements. -

'(1) In general. - A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method.

'(2) Definitions. - For purposes of this subsection -

'(A) Excess tax reserve. - The term 'excess tax reserve' means the excess of -

'(i) the reserve for deferred taxes (as described in section 167(l)(3)(G)(ii) or 168(e)(3)(B)(ii) of the Internal Revenue Code of 1954 as in effect on the day before the date of the enactment of this Act (Oct. 22, 1986)), over

'(ii) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act (see Tables for classification) were in effect for all prior periods.

'(B) Average rate assumption method. - The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, if timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying -

'(i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by

'(ii) the amount of the timing differences which reverse during such period.

'SEC. 204. ADDITIONAL TRANSITIONAL RULES.

'(a) Other Transitional Rules. -

'(1) Urban renovation projects. -

'(A) In general. - The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751,

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1245, 4162, 6111, and 7701 of this title) shall not apply to any property which is an integral part of any qualified urban renovation project.

'(B) Qualified urban renovation project. - For purposes of subparagraph (A), the term 'qualified urban renovation project' means any project

'(i) described in subparagraph (C), (D), (E), or (G) which before March 1, 1986, was publicly announced by a political subdivision of a State for a renovation of an urban area within its jurisdiction,

'(ii) described in subparagraph (C), (D) or (G) which before March 1, 1986, was identified as a single unitary project in the internal financing plans of the primary developer of the project,

'(iii) described in subparagraph (C) or (D), which is not substantially modified on or after March 1, 1986, and

'(iv) described in subparagraph (F) or (H).

'(C) Project where agreement on December 19, 1984. - A project is described in this subparagraph if -

'(i) a political subdivision granted on July 11, 1985, development rights to the primary developer-purchaser of such project, and

'(ii) such project was the subject of a development agreement between a political subdivision and a bridge authority on December 19, 1984.

For purposes of this subparagraph, section 203(b)(2) shall be applied by substituting 'January 1, 1994' for 'January 1, 1991' each place it appears.

'(D) Certain additional projects. - A project is described in this subparagraph if it is described in any of the following clauses of this subparagraph and the primary developer of all such projects is the same person:

'(i) A project is described in this clause if the development agreement with respect thereto was entered into during April 1984 and the estimated cost of the project is approximately \$194,000,000.

'(ii) A project is described in this clause if the development agreement with respect thereto was entered into during May 1984 and the estimated cost of the project is approximately \$190,000,000.

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'(iii) A project is described in this clause if the project has an estimated cost of approximately \$92,000,000 and at least \$7,000,000 was spent before September 26, 1985, with respect to such project.

'(iv) A project is described in this clause if the estimated project cost is approximately \$39,000,000 and at least \$2,000,000 of construction cost for such project were incurred before September 26, 1985.

'(v) A project is described in this clause if the development agreement with respect thereto was entered into before September 26, 1985, and the estimated cost of the project is approximately \$150,000,000.

'(vi) A project is described in this clause if the board of directors of the primary developer approved such project in December 1982, and the estimated cost of such project is approximately \$107,000,000.

'(vii) A project is described in this clause if the board of directors of the primary developer approved such project in December 1982, and the estimated cost of such project is approximately \$59,000,000.

'(viii) A project is described in this clause if the Board of Directors of the primary developer approved such project in December 1983, following selection of the developer by a city council on September 26, 1983, and the estimated cost of such project is approximately \$107,000,000.

'(E) Project where plan confirmed on October 4, 1984. - A project is described in this subparagraph if -

'(i) a State or an agency, instrumentality, or political subdivision thereof approved the filing of a general project plan on June 18, 1981, and on October 4, 1984, a State or an agency, instrumentality, or political subdivision thereof confirmed such plan,

'(ii) the project plan as confirmed on October 4, 1984, included construction or renovation of office buildings, a hotel, a trade mart, theaters, and a subway complex, and

'(iii) significant segments of such project were the subject of one or more conditional designations granted by a State or an agency, instrumentality, or political subdivision thereof to one or more developers before January 1, 1985. The preceding sentence shall apply with respect to a property only to the extent that a building on such property site was identified as part of the project plan before September 26, 1985, and only to the extent that the size of the building on such property site was not substantially increased by reason of a modification to the project plan with respect to such property on or after such date. For purposes of this subparagraph, section 203(b)(2) shall be applied by substituting 'January 1, 1998' for 'January 1, 1991' each place it appears.

'(F) A project is described in this subparagraph if it is a sports and entertainment facility which -

'(i) is to be used by both a National Hockey League team and a National Basketball Association team;

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'(ii) is to be constructed on a platform utilizing air rights over land acquired by a State authority and identified as site B in a report dated May 30, 1984, prepared for a State urban development corporation; and

'(iii) is eligible for real property tax, and power and energy benefits pursuant to the provisions of State legislation approved and effective July 7, 1982. A project is also described in this subparagraph if it is a mixed-use development which is -

'(l) to be constructed above a public railroad station utilized by the national railroad passenger corporation and commuter railroads serving two States; and

'(ll) will include the reconstruction of such station so as to make it a more efficient transportation center and to better integrate the station with the development above, such reconstruction plans to be prepared in cooperation with a State transportation authority.

For purposes of this subparagraph, section 203(b)(2) shall be applied by substituting 'January 1, 1998' for the applicable date that would otherwise apply.

'(G) A project is described in this subparagraph if -

'(i) an inducement resolution was passed on March 9, 1984, for the issuance of obligations with respect to such project,

'(ii) such resolution was extended by resolutions passed on August 14, 1984, April 2, 1985, August 13, 1985, and July 8, 1986,

'(iii) an application was submitted on January 31, 1984, for an Urban Development Action Grant with respect to such project, and

'(iv) an Urban Development Action Grant was preliminarily approved for all or part of such project on July 3, 1986.

'(H) A project is described in this subparagraph if it is a redevelopment project, with respect to which \$10,000,000 in industrial revenue bonds were approved by a State Development Finance Authority on January 15, 1986, a village transferred approximately \$4,000,000 of bond volume authority to the State in June 1986, and a binding Redevelopment Agreement was executed between a city and the development team on June 30, 1986.

'(2) Certain projects granted FERC licenses, etc. - The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to any property which is part of a project -

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'(A) which is certified by the Federal Energy Regulatory Commission before March 2, 1986, as a qualifying facility for purposes of the Public Utility Regulatory Policies Act of 1978 (see Short Title note set out under 16 U.S.C. 2601),

'(B) which was granted before March 2, 1986, a hydroelectric license for such project by the Federal Energy Regulatory Commission, or

'(C) which is a hydroelectric project of less than 80 megawatts that filed an application for a permit, exemption, or license with the Federal Energy Regulatory Commission before March 2, 1986.

'(3) Supply or service contracts. - The amendments made by section 201 shall not apply to any property which is readily identifiable with and necessary to carry out a written supply or service contract, or agreement to lease, which was binding on March 1, 1986.

'(4) Property treated under prior tax acts. - The amendments made by section 201 shall not apply -

'(A) to property described in section 12(c)(2) (as amended by the Technical and Miscellaneous Revenue Act of 1988), 31(g)(5), or 31(g)(17)(J) of the Tax Reform Act of 1984 (sections 12(c)(2) and 31(g)(5), (17)(J) of Pub. L. 98-369, set out as notes below),

'(B) to property described in section 209(d)(1)(B) of the Tax Equity and Fiscal Responsibility Act of 1982, as amended by the Tax Reform Act of 1984 (section 209(d)(1)(B) of Pub. L. 97-248, as amended, set out as a note below), and

'(C) to property described in section 216(b)(3) of the Tax Equity and Fiscal Responsibility Act of 1982 (section 216(b)(3) of Pub. L. 97-248, set out as a note below).

'(5) Special rules for property included in master plans of integrated projects. - The amendments made by section 201 shall not apply to any property placed in service pursuant to a master plan which is clearly identifiable as of March 1, 1986, for any project described in any of the following subparagraphs of this paragraph:

'(A) A project is described in this subparagraph if -

' (i) the project involves production platforms for offshore drilling, oil and gas pipeline to shore, process and storage facilities, and a marine terminal, and

'(ii) at least \$900,000,000 of the costs of such project were incurred before September 26, 1985.

'(B) A project is described in this subparagraph if -

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'(i) such project involves a fiber optic network of at least 20,000 miles, and

'(ii) before September 26, 1985, construction commenced pursuant to the master plan and at least \$85,000,000 was spent on construction.

'(C) A project is described in this subparagraph if -

'(i) such project passes through at least 10 States and involves intercity communication links (including one or more repeater sites, terminals and junction stations for microwave transmissions, regenerators or fiber optics and other related equipment),

'(ii) the lesser of \$150,000,000 or 5 percent of the total project cost has been expended, incurred, or committed before March 2, 1986, by one or more taxpayers each of which is a member of the same affiliated group (as defined in section 1504(a) (of the Internal Revenue Code of 1986)), and

'(iii) such project consists of a comprehensive plan for meeting network capacity requirements as encompassed within either:

'(I) a November 5, 1985, presentation made to and accepted by the Chairman of the Board and the president of the taxpayer, or

'(II) the approvals by the Board of Directors of the parent company of the taxpayer on May 3, 1985, and September 22, 1985, and of the executive committee of said board on December 23, 1985.

'(D) A project is described in this subparagraph if -

'(i) such project is part of a flat rolled product modernization plan which was initially presented to the Board of Directors of the taxpayer on July 8, 1983,

'(ii) such program will be carried out at 3 locations, and

'(iii) such project will involve a total estimated minimum capital cost of at least \$250,000,000.

'(E) A project is described in this subparagraph if the project is being carried out by a corporation engaged in the production of paint, chemicals, fiberglass, and glass, and if -

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'(i) the project includes a production line which applies a thin coating to glass in the manufacture of energy efficient residential products, if approved by the management committee of the corporation on January 29, 1986,

'(ii) the project is a turbogenerator which was approved by the president of such corporation and at least \$1,000,000 of the cost of which was incurred or committed before such date,

'(iii) the project is a waste-to-energy disposal system which was initially approved by the management committee of the corporation on March 29, 1982, and at least \$5,000,000 of the cost of which was incurred before September 26, 1985,

'(iv) the project, which involves the expansion of an existing service facility and the addition of new lab facilities needed to accommodate topcoat and undercoat production needs of a nearby automotive assembly plant, was approved by the corporation's management committee on March 5, 1986, or

'(v) the project is part of a facility to consolidate and modernize the silica production of such corporation and the project was approved by the president of such corporation on August 19, 1985.

'(F) A project is described in this subparagraph if -

'(i) such project involves a port terminal and oil pipeline extending generally from the area of Los Angeles, California, to the area of Midland, Texas, and

'(ii) before September 26, 1985, there is a binding contract for dredging and channeling with respect thereto and a management contract with a construction manager for such project.

'(G) A project is described in this subparagraph if -

'(i) the project is a newspaper printing and distribution plant project with respect to which a contract for the purchase of 8 printing press units and related equipment to be installed in a single press line was entered into on January 8, 1985, and

'(ii) the contract price for such units and equipment represents at least 50 percent of the total cost of such project.

'(H) A project is described in this subparagraph if it is the second phase of a project involving direct current transmission lines spanning approximately 190 miles from the United States-Canadian border to Ayer, Massachusetts, alternating current transmission lines in Massachusetts from Ayers to Millbury to West Medway, DC-AC converted terminals to Monroe, New Hampshire, and Ayer, Massachusetts, and other related equipment and facilities.

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'(I) A project is described in this subparagraph if it involves not more than two natural gas-fired combined cycle electric generating units each having a net electrical capability of approximately 233 megawatts, and a sales contract for approximately one-half of the output of the 1st unit was entered into in December 1985.

'(J) A project is described in this subparagraph if -

'(i) the project involves an automobile manufacturing facility (including equipment and incidental appurtenances) to be located in the United States, and

'(ii) either -

'(I) the project was the subject of a memorandum of understanding between 2 automobile manufacturers that was signed before September 25, 1985, the automobile manufacturing facility (including equipment and incidental appurtenances) will involve a total estimated cost of approximately \$750,000,000, and will have an annual production capacity of approximately 240,000 vehicles or

'(II) the Board of Directors of an automobile manufacturer approved a written plan for the conversion of existing facilities to produce new models of a vehicle not currently produced in the United States, such facilities will be placed in service by July 1, 1987, and such Board action occurred in July 1985 with respect to a \$602,000,000 expenditure, a \$438,000,000 expenditure, and a \$321,000,000 expenditure.

'(K) A project is described in this subparagraph if -

'(i) the project involves a joint venture between a utility company and a paper company for a supercalendered paper mill, and at least \$50,000,000 was incurred or committed with respect to such project before March 1, 1986, or

'(ii) the project involves a paper mill for the manufacture of newsprint (including a cogeneration facility) is generally based on a written design and feasibility study that was completed on December 15, 1981, and will be placed in service before January 1, 1991, or

'(iii) the project is undertaken by a Maine corporation and involves the modernization of pulp and paper mills in Millinocket and/or East Millinocket, Maine, or

'(iv) the project involves the installation of a paper machine for production of coated publication papers, the modernization of a pulp mill, and the installation of machinery and equipment with respect to related processes, as of December 31, 1985, in excess of \$50,000,000 was incurred for the project, as of July 1986, in excess of \$150,000,000 was incurred for the project, and the project is located in Pine Bluff, Arkansas, or

'(v) the project involves property of a type described in ADR classes 26.1, 26.2, 25, 00.3 and 00.4 included in a paper plant which will manufacture and distribute tissue, towel or napkin products; is located in Effingham County, Georgia; and is generally based upon a written General Description which was submitted to the Georgia Department of Revenue on or about June 13, 1985.

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'(L) A project is described in this subparagraph if -

'(i) a letter of intent with respect to such project was executed on June 4, 1985, and

'(ii) a 5-percent downpayment was made in connection with such project for 2 10-unit press lines and related equipment.

'(M) A project is described in this subparagraph if -

'(i) the project involves the retrofit of ammonia plants,

'(ii) as of March 1, 1986, more than \$390,000 had been expended for engineering and equipment, and

'(iii) more than \$170,000 was expensed in 1985 as a portion of preliminary engineering expense.

'(N) A project is described in this subparagraph if the project involves bulkhead intermodal flat cars which are placed in service before January 1, 1987, and either -

'(i) more than \$2,290,000 of expenditures were made before March 1, 1986, with respect to a project involving up to 300 platforms, or

'(ii) more than \$95,000 of expenditures were made before March 1, 1986, with respect to a project involving up to 850 platforms.

'(O) A project is described in this subparagraph if -

'(i) the project involves the production and transportation of oil and gas from a well located north of the Arctic Circle, and

'(ii) more than \$200,000,000 of cost had been incurred or committed before September 26, 1985.

'(P) A project is described in this subparagraph if -

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- '(i) a commitment letter was entered into with a financial institution on January 23, 1986, for the financing of the project,
- '(ii) the project involves intercity communication links (including microwave and fiber optics communications systems and related property),
- '(iii) the project consists of communications links between -'
 - '(I) Omaha, Nebraska, and Council Bluffs, Iowa,
 - '(II) Waterloo, Iowa and Sioux City, Iowa,
 - '(III) Davenport, Iowa and Springfield, Illinois, and
- '(iv) the estimated cost of such project is approximately \$13,000,000.

'(Q) A project is described in this subparagraph if -

- '(i) such project is a mining modernization project involving mining, transport, and milling operations,
- '(ii) before September 26, 1985, at least \$20,000,000 was expended for engineering studies which were approved by the Board of Directors of the taxpayer on January 27, 1983, and
- '(iii) such project will involve a total estimated minimum cost of \$350,000,000.

'(R) A project is described in this subparagraph if -

- '(i) such project is a dragline acquired in connection with a 3-stage program which began in 1980 to increase production from a coal mine,
- '(ii) at least \$35,000,000 was spent before September 26, 1985, on the 1st 2 stages of the program, and
- '(iii) at least \$4,000,000 was spent to prepare the mine site for the dragline.

'(S) A project is described in this subparagraph if - it is a project consisting of a mineral processing facility using a heap leaching system

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(including waste dumps, low-grade dumps, a leaching area, and mine roads) and if -

'(i) convertible subordinated debentures were issued in August 1985, to finance the project,

'(ii) construction of the project was authorized by the Board of Directors of the taxpayer on or before December 31, 1985,

'(iii) at least \$750,000 was paid or incurred with respect to the project on or before December 31, 1985, and

'(iv) the project is placed in service on or before December 31, 1986.

'(T) A project is described in this subparagraph if it is a plant facility on Alaska's North Slope which is placed in service before January 1, 1988, and -

'(i) the approximate cost of which is \$675,000,000, of which approximately \$400,000,000 was spent on off-site construction,

'(ii) the approximate cost of which is \$445,000,000, of which approximately \$400,000,000 was spent on off-site construction and more than 50 percent of the project cost was spent prior to December 31, 1985, or

'(iii) the approximate cost of which is \$375,000,000, of which approximately \$260,000,000 was spent on off-site construction.

'(U) A project is described in this subparagraph if it involves the connecting of existing retail stores in the downtown area of a city to a new covered area, the total project will be 250,000 square feet, a formal Memorandum of Understanding relating to development of the project was executed with the city on July 2, 1986, and the estimated cost of the project is \$18,186,424.

'(V) A project is described in this subparagraph if it includes a 200,000 square foot office tower, a 200-room hotel, a 300,000 square foot retail center, an 800-space parking facility, the total cost is projected to be \$60,000,000, and \$1,250,000 was expended with respect to the site before August 25, 1986.

'(W) A project is described in this subparagraph if it is a joint use and development project including an integrated hotel, convention center, office, related retail facilities and public mass transportation terminal, and vehicle parking facilities which satisfies the following conditions:

'(i) is developed within certain air space rights and upon real property exchanged for such joint use and development project which is owned or acquired by a state department of transportation, a regional mass transit district in a county with a population of at least 5,000,000 and a community redevelopment agency;

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'(ii) such project affects an existing, approximately 40 acre public mass transportation bus-way terminal facility located adjacent to an interstate highway;

'(iii) a memorandum of understanding with respect to such joint use and development project is executed by a state department of transportation, such a county regional mass transit district and a community redevelopment agency on or before December 31, 1986, and

'(iv) a major portion of such joint use and development project is placed in service by December 31, 1990.

'(X) A project is described in this subparagraph if -

'(i) it is an \$8,000,000 project to provide advanced control technology for adipic acid at a plant, which was authorized by the company's Board of Directors in October 1985, at December 31, 1985, \$1,400,000 was committed and \$400,000 expended with respect to such project, or

'(ii) it is an \$8,300,000 project to achieve compliance with State and Federal regulations for particulates emissions, which was authorized by the company's Board of Directors in December 1985, by March 31, 1986, \$250,000 was committed and \$250,000 was expended with respect to such project, or

'(iii) it is a \$22,000,000 project for the retrofit of a plant that makes a raw material for aspartame, which was approved in the company's December 1985 capital budget, if approximately \$3,000,000 of the \$22,000,000 was spent before August 1, 1986.

'(Y) A project is described in this subparagraph if such project passes through at least 9 States and involves an intercity communication link (including multiple repeater sites and junction stations for microwave transmissions and amplifiers for fiber optics); the link from Buffalo to New York/Elizabeth was completed in 1984; the link from Buffalo to Chicago was completed in 1985; and the link from New York to Washington is completed in 1986.

'(Z) A project is described in this subparagraph if -

'(i) such project involves a fiber optic network of at least 475 miles, passing through Minnesota and Wisconsin; and

'(ii) before January 1, 1986, at least \$15,000,000 was expended or committed for electronic equipment or fiber optic cable to be used in constructing the network.

'(6) Natural gas pipeline. - The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to any interstate natural gas pipeline (and related equipment) if -

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'(A) 3 applications for the construction of such pipeline were filed with the Federal Energy Regulatory Commission before November 22, 1985 (and 2 of which were filed before September 26, 1985), and

'(B) such pipeline has 1 of its terminal points near Bakersfield, California.

'(7) Certain leasehold improvements. - The amendments made by section 201 shall not apply to any reasonable leasehold improvements, equipment and furnishings placed in service by a lessee or its affiliates if -

'(A) the lessee or an affiliate is the original lessee of each building in which such property is to be used,

'(B) such lessee is obligated to lease the building under an agreement to lease entered into before September 26, 1985, and such property is provided for such building, and

'(C) such buildings are to serve as world headquarters of the lessee and its affiliates. For purposes of this paragraph, a corporation is an affiliate of another corporation if both corporations are members of a controlled group of corporations within the meaning of section 1563(a) of the Internal Revenue Code of 1954 without regard to section 1563(b)(2) of such Code. Such lessee shall include a securities firm that meets the requirements of subparagraph (A), except the lessee is obligated to lease the building under a lease entered into on June 18, 1986.

'(8) Solid waste disposal facilities. - The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to the taxpayer who originally places in service any qualified solid waste disposal facility (as defined in section 7701(e)(3)(B) of the Internal Revenue Code of 1986) if before March 2, 1986 -

'(A) there is a binding written contract between a service recipient and a service provider with respect to the operation of such facility to pay for the services to be provided by such facility,

'(B) a service recipient or governmental unit (or any entity related to such recipient or unit) made a financial commitment of at least \$200,000 for the financing or construction of such facility,

'(C) such facility is the Tri-Cities Solid Waste Recovery Project involving Fremont, Newark, and Union City, California, and has received an authority to construct from the Environmental Protection Agency or from a State or local agency authorized by the Environmental Protection Agency to issue air quality permits under the Clean Air Act (42 U.S.C. 7401 et seq.),

'(D) a bond volume carryforward election was made for the facility and the facility is for Chattanooga, Knoxville, or Kingsport, Tennessee, or

'(E) such facility is to serve Haverhill, Massachusetts.

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'(9) Certain submersible drilling units. - In the case of a binding contract entered into on October 30, 1984, for the purchase of 6 semi-submersible drilling units at a cost of \$425,000,000, such units shall be treated as having an applicable date under subsection (section) 203(b)(2) of January 1, 1991.

'(10) Wastewater or sewage treatment facility. - The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to any property which is part of a wastewater or sewage treatment facility if -

'(A) site preparation for such facility commenced before September 1985, and a parish council approved a service agreement with respect to such facility on December 4, 1985;

'(B) a city-parish advertised in September 1985, for bids for construction of secondary treatment improvements for such facility, in May 1985, the city-parish received statements from 16 firms interested in privatizing the wastewater treatment facilities, and the metropolitan council selected a privatizer at its meeting on November 20, 1985, and adopted a resolution authorizing the Mayor to enter into contractual negotiation with the selected privatizer;

'(C) the property is part of a wastewater treatment facility serving Greenville, South Carolina with respect to which a binding service agreement between a privatizer and the Western Carolina Regional Sewer Authority with respect to such facility was signed before January 1, 1986; or

'(D) such property is part of a wastewater treatment facility (located in Cameron County, Texas, within one mile of the City of Harlingen), an application for a wastewater discharge permit was filed with respect to such facility on December 4, 1985, and a City Commission approved a letter of intent relating to a service agreement with respect to such facility on August 7, 1986; or a wastewater facility (located in Harlingen, Texas) which is a subject of such letter of intent and service agreement and the design of which was contracted for in a letter of intent dated January 23, 1986.

'(11) Certain aircraft. - The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to any new aircraft with 19 or fewer passenger seats if

'(A) the aircraft is manufactured in the United States. For purposes of this subparagraph, an aircraft is 'manufactured' at the point of its final assembly,

'(B) the aircraft was in inventory or in the planned production schedule of the final assembly manufacturer, with orders placed for the engine(s) on or before August 16, 1986, and

'(C) the aircraft is purchased or subject to a binding contract on or before December 31, 1986, and is delivered and placed in service by the purchaser, before July 1, 1987.

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'(12) Certain satellites. - The amendments made by section 201 shall not apply to any satellite with respect to which -

'(A) on or before January 28, 1986, there was a binding contract to construct or acquire a satellite, and

'(i) an agreement to launch was in existence on that date, or

'(ii) on or before August 5, 1983, the Federal Communications Commission had authorized the construction and for which the authorized party has a specific although undesignated agreement to launch in existence on January 28, 1986;

'(B) by order adopted on July 25, 1985, the Federal Communications Commission granted the taxpayer an orbital slot and authorized the taxpayer to launch and operate 2 satellites with a cost of approximately \$300,000,000; or

'(C) the International Telecommunications Satellite Organization or the International Maritime Satellite Organization entered into written binding contracts before May 1, 1985.

'(13) Certain nonwire line cellular telephone systems. - The amendments made by section 201 shall not apply to property that is part of a nonwire line system in the Domestic Public Cellular Radio Telecommunications Service for which the Federal Communications Commission has issued a construction permit before September 26, 1985, but only if such property is placed in service before January 1, 1987.

'(14) Certain cogeneration facilities. - The amendments made by section 201 shall not apply to projects consisting of 1 or more facilities for the cogeneration and distribution of electricity and steam or other forms of thermal energy if -

'(A) at least \$100,000 was paid or incurred with respect to the project before March 1, 1986, a memorandum of understanding was executed on September 13, 1985, and the project is placed in service before January 1, 1989,

'(B) at least \$500,000 was paid or incurred with respect to the projects before May 6, 1986, the projects involve a 22-megawatt combined cycle gas turbine plant and a 45-megawatt coal waste plant, and applications for qualifying facility status were filed with the Federal Energy Regulatory Commission on March 5, 1986,

'(C) the project cost approximates \$125,000,000 to \$140,000,000 and an application was made to the Federal Energy Regulatory Commission in July 1985,

'(D) an inducement resolution for such facility was adopted on September 10, 1985, a development authority was given an inducement date of September 10, 1985, for a loan not to exceed \$80,000,000 with respect to such facility, and such facility is expected to have a capacity of approximately 30 megawatts of electric power and 70,000 pounds of steam per hour,

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'(E) at least \$1,000,000 was incurred with respect to the project before May 6, 1986, the project involves a 52-megawatt combined cycle gas turbine plant and a petition was filed with the Connecticut Department of Public Utility Control to approve a power sales agreement with respect to the project on March 27, 1986,

'(F) the project has a planned scheduled capacity of approximately 38,000 kilowatts, the project property is placed in service before January 1, 1991, and the project is operated, established, or constructed pursuant to certain agreements, the negotiation of which began before 1986, with public or municipal utilities conducting business in Massachusetts, or

'(G) the Board of Regents of Oklahoma State University took official action on July 25, 1986, with respect to the project. In the case of the project described in subparagraph (F), section 203(b)(2)(A) shall be applied by substituting 'January 1, 1991' for 'January 1, 1989'.

'(15) Certain electric generating stations. - The amendments made by section 201 shall not apply to a project located in New Mexico consisting of a coal-fired electric generating station (including multiple generating units, coal mine equipment, and transmission facilities) if

'(A) a tax-exempt entity will own an equity interest in all property included in the project (except the coal mine equipment), and

'(B) at least \$72,000,000 was expended in the acquisition of coal leases, land and water rights, engineering studies, and other development costs before May 6, 1986. For purposes of this paragraph, section 203(b)(2) shall be applied by substituting 'January 1, 1996' for 'January 1, 1991' each place it appears.

'(16) Sports arenas. -

'(A) Indoor sports facility. - The amendments made by section 201 shall not apply to up to \$20,000,000 of improvements made by a lessee of any indoor sports facility pursuant to a lease from a State commission granting the right to make limited and specified improvements (including planned seat explanations), if architectural renderings of the project were commissioned and received before December 22, 1985.

'(B) Metropolitan sports arena. - The amendments made by section 201 shall not apply to any property which is part of an arena constructed for professional sports activities in a metropolitan area, provided that such arena is capable of seating no less than 18,000 spectators and a binding contract to incur significant expenditures for its construction was entered into before June 1, 1986.

'(17) Certain waste-to-energy facilities. - The amendments made by section 201 shall not apply to 2 agricultural waste-to-energy powerplants (and required transmission facilities), in connection with which a contract to sell 100 megawatts of electricity to a city was executed in October 1984.

'(18) Certain coal-fired plants. - The amendments made by section 201 shall not apply to one of three 540 megawatt coal-fired plants that are placed in service after a sale leaseback occurring after January 1, 1986, if -

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'(A) the Board of Directors of an electric power cooperation authorized the investigation of a sale leaseback of a nuclear generation facility by resolution dated January 22, 1985, and

'(B) a loan was extended by the Rural Electrification Administration on February 20, 1986, which contained a covenant with respect to used property leasing from unit II.

'(19) Certain rail systems. -

'(A) The amendments made by section 201 shall not apply to a light rail transit system, the approximate cost of which is \$235,000,000, if, with respect to which, the board of directors of a corporation (formed in September 1984 for the purpose of developing, financing, and operating the system) authorized a \$300,000 expenditure for a feasibility study in April 1985.

'(B) The amendments made by section 201 shall not apply to any project for rehabilitation of regional railroad rights of way and properties including grade crossings which was authorized by the Board of Directors of such company prior to October 1985; and/or was modified, altered or enlarged as a result of termination of company contracts, but approved by said Board of Directors no later than January 30, 1986, and which is in the public interest, and which is subject to binding contracts or substantive commitments by December 31, 1987.

'(20) Certain detergent manufacturing facility. - The amendments made by section 201 shall not apply to a laundry detergent manufacturing facility, the approximate cost of which is \$13,200,000, with respect to which a project agreement was fully executed on March 17, 1986.

'(21) Certain resource recovery facility. - The amendments made by section 201 shall not apply to any of 3 resource recovery plants, the aggregate cost of which approximates \$300,000,000, if an industrial development authority adopted a bond resolution with respect to such facilities on December 17, 1984, and the projects were approved by the department of commerce of a Commonwealth on December 27, 1984.

'(22) The amendments made by section 201 shall not apply to a computer and office support center building in Minneapolis, with respect to which the first contract, with an architecture firm, was signed on April 30, 1985, and a construction contract was signed on March 12, 1986.

'(23) Certain district heating and cooling facilities. - The amendments made by section 201 shall not apply to pipes, mains, and related equipment included in district heating and cooling facilities, with respect to which the development authority of a State approved the project through an inducement resolution adopted on October 8, 1985, and in connection with which approximately \$11,000,000 of tax-exempt bonds are to be issued.

'(24) Certain vessels. -

'(A) Certain offshore vessels. - The amendments made by section 201 shall not apply to any offshore vessel the construction contract for which was signed on February 28, 1986, and the approximate cost of which is \$9,000,000.

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'(B) Certain inland river vessel. - The amendments made by section 201 shall not apply to a project involving the reconstruction of an inland river vessel docked on the Mississippi River at St. Louis, Missouri, on July 14, 1986, and with respect to which:

'(i) the estimated cost of reconstruction is approximately \$39,000,000;

'(ii) reconstruction was commenced prior to December 1, 1985;

'(iii) at least \$17,000,000 was expended before December 31, 1985; and

'(C) Special automobile carrier vessels. - The amendments made by section 201 shall not apply to two new automobile carrier vessels which will cost approximately \$47,000,000 and will be constructed by a United States-flag carrier to operate, under the United States-flag and with an American crew, to transport foreign automobiles to the United States, in a case where negotiations for such transportation arrangements commenced in April 1985, formal contract bids were submitted prior to the end of 1985, and definitive transportation contracts were awarded in May 1986.

'(D) The amendments made by section 201 shall not apply to a 562-foot passenger cruise ship, which was purchased in 1980 for the purpose of returning the vessel to United States service, the approximate cost of refurbishment of which is approximately \$47,000,000.

'(E) The amendments made by section 201 shall not apply to the Muskegon, Michigan, Cross-Lake Ferry project having a projected cost of approximately \$7,200,000.

'(F) The amendments made by section 201 shall not apply to a new automobile carrier vessel, the contract price for which is no greater than \$28,000,000, and which will be constructed for and placed in service by OSG Car Carriers, Inc., to transport, under the United States flag and with an American crew, foreign automobiles to North America in a case where negotiations for such transportation arrangements commenced in 1985, and definitive transportation contracts were awarded before June 1986.

'(25) Certain wood energy projects. - The amendments made by section 201 shall not apply to two wood energy projects for which applications with the Federal Energy Regulatory Commission were filed before January 1, 1986, which are described as follows:

'(A) a 26.5 megawatt plant in Fresno, California, and

'(B) a 26.5 megawatt plant in Rocklin, California.

'(26) The amendments made by section 201 shall not apply to property which is a geothermal project of less than 20 megawatts that was certified by the Federal Energy Regulatory Commission on July 14, 1986, as a qualifying small power production facility for purposes of the Public Utility Regulatory Policies Act of 1978 (see Short Title note set out under 16 U.S.C. 2601) pursuant to an application filed with the Federal Energy Regulatory Commission on April 17, 1986.

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(27) Certain economic development projects. - The amendments made by section 201 shall not apply to any of the following projects:

(A) A mixed use development on the East River the total cost of which is approximately \$400,000,000, with respect to which a letter of intent was executed on January 24, 1984, and with respect to which approximately \$2.5 million had been spent by March 1, 1986.

(B) A 356-room hotel, banquet, and conference facility (including 540,000 square feet of office space) the approximate cost of which is \$158,000,000, with respect to which a letter of intent was executed on June 1, 1984, and with respect to which an inducement resolution and bond resolution was adopted on August 20, 1985.

(C) Phase 1 of a 4-phase project involving the construction of laboratory space and ground-floor retail space the estimated cost of which is \$22,000,000 and with respect to which a memorandum (sic) of understanding was made on August 29, 1983.

(D) A project involving the development of a 490,000 square foot mixed-use building at 152 W. 57th Street, New York, New York, the estimated cost of which is \$100,000,000, and with respect to which a building permit application was filed in May 1986.

(E) A mixed-use project containing a 300 unit, 12-story hotel, garage, two multi-rise office buildings, and also included a park, renovated riverboat, and barge with festival marketplace, the capital outlays for which approximate \$68,000,000.

(F) The construction of a three-story office building that will serve as the home office for an insurance group and its affiliated companies, with respect to which a city agreed to transfer its ownership of the land for the project in a Redevelopment Agreement executed on September 18, 1985, once certain conditions are met.

(G) A commercial bank formed under the laws of the State of New York which entered into an agreement on September 5, 1985, to construct its headquarters at 60 Wall Street, New York, New York, with respect to such headquarters.

(H) Any property which is part of a commercial and residential project, the first phase of which is currently under construction, to be developed on land which is the subject of an ordinance passed on July 20, 1981, by the city council of the city in which such land is located, designating such land and the improvements to be placed thereon as a residential-business planned development, which development is being financed in part by the proceeds of industrial development bonds in the amount of \$62,600,000 issued on December 4, 1985.

(I) A 600,000 square foot mixed use building known as Flushing Center with respect to which a letter of intent was executed on March 26, 1986. In the case of the building described in subparagraph (I), section 203(b)(2)(A) shall be applied by substituting 'January 1, 1993' for the applicable date which would otherwise apply.

(28) The amendments made by section 201 shall not apply to an \$80,000,000 capital project steel seamless-tubular casings minimill and melting facility located in Youngstown, Ohio, which was purchased by the taxpayer in April 1985, and -

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'(A) the purchase and renovation of which was approved by a committee of the Board of Directors on February 22, 1985, and

'(B) as of December 31, 1985, more than \$20,000,000 was incurred or committed with respect to the renovation.

'(29) The amendments made by section 201 shall not apply to any project for residential rental property if -

'(A) an inducement resolution with respect to such project was adopted by the State housing development authority on January 25, 1985, and

'(B) such project was the subject of a law suit filed on October 25, 1985.

'(30) The amendments made by section 201 shall not apply to a 30 megawatt electric generating facility fueled by geothermal and wood waste, the approximate cost of which is \$55,000,000, and with respect to which a 30-year power sales contract was executed on March 22, 1985.

'(31) The amendments made by section 201 shall not apply to railroad maintenance-of-way equipment, with respect to which a Boston bank entered into a firm binding contract with a major northeastern railroad before March 2, 1986, to finance \$10,500,000 of such equipment, if all of the equipment was placed in service before August 1, 1986.

'(32) The amendment made by section 201 shall not apply to -

'(A) a facility constructed on approximately seven acres of land located on Ogle's Poso Creek Oil field, the primary fuel of which will be bituminous coal from Utah or Wyoming, with respect to which an application for an authority to construct was filed on December 26, 1985, an authority to construct was issued on July 2, 1986, and a prevention of significant deterioration permit application was submitted in May 1985,

'(B) a facility constructed on approximately seven acres of land located on Teorco's Jasmin oil field, the primary fuel of which will be bituminous coal from Utah or Wyoming, with respect to which an authority to construct was filed on December 26, 1985, an authority to construct was issued on July 2, 1986, and a prevention of significant deterioration permit application was submitted in July 1985,

'(C) the Mountain View Apartments, in Hadley, Massachusetts,

'(D) a facility expected to have a capacity of not less than 65 megawatts of electricity, the steam from which is to be sold to a pulp and paper mill, with respect to which application was made to the Federal Regulatory Commission for certification as a qualified facility on November 1, 1985, and received such certification on January 24, 1986,

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'(E) \$5,000,000 of equipment ordered in 1986, in connection with a 60,000 square foot plant in Masontown, Pennsylvania, that was completed in 1983,

'(F) a magnetic resonance imaging machine, with respect to which a binding contract to purchase was entered into in April 1986, in connection with the construction of a magnetic resonance imaging clinic with respect to which a Determination of Need certification was obtained from a State Department of Public Health on October 22, 1985, if such property is placed in service before December 31, 1986,

'(G) a company located in Salina, Kansas, which has been engaged in the construction of highways and city streets since 1946, but only to the extent of \$1,410,000 of investment in new section 38 property,

'(H) a \$300,000 project undertaken by a small metal finishing company located in Minneapolis, Minnesota, the first parts of which were received and paid for in January 1986, with respect to which the company received Board approval to purchase the largest piece of machinery it has ever ordered in 1985,

'(I) A \$1,200,000 finishing machine that was purchased on April 2, 1986 and placed into service in September 1986 by a company located in Davenport, Iowa,

'(J) A 25 megawatt small power production facility, with respect to which Qualifying Facility status numbered QF86-593-000 was granted on March 5, 1986,

'(K) A 250 megawatt coal-fired electric plant in northeastern Nevada estimated to cost \$600,000,000 and known as the Thousand Springs project, on which the Sierra Pacific Power Company, a subsidiary of Sierra Pacific Resources, began in 1980 work to design, finance, construct, and operate (and section 203(b)(2) shall be applied with respect to such plant by substituting 'January 1, 1995' for 'January 1, 1991'),

'(L) 128 units of rental housing in connection with the Point Gloria Limited Partnership,

'(M) property which is part of the Kenosha Downtown Redevelopment Project and which is financed with the proceeds of bonds issued pursuant to section 1317(6)(W) (set out as a note under section 141 of this title),

'(N) Lakeland Park Phase II, in Baton Rouge, Louisiana,

'(O) the Santa Rosa Hotel, in Pensacola, Florida,

'(P) the Sheraton Baton Rouge, in Baton Rouge, Louisiana,

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'(Q) \$300,000 of equipment placed in service in 1986, in connection with the renovation of the Best Western Townhouse Convention Center in Cedar Rapids, Iowa,

'(R) the segment of a nationwide fiber optics telecommunications network placed in service by SouthernNet, the total estimated cost of which is \$37,000,000,

'(S) two cogeneration facilities, to be placed in service by the Reading Anthracite Coal Company (or any subsidiary thereof), costing approximately \$110,000,000 each, with respect to which filings were made with the Federal Energy Regulatory Commission by December 31, 1985, and which are located in Pennsylvania,

'(T) a portion of a fiber optics network placed in service by LDX NET after December 31, 1988, but only to the extent the cost of such portion does not exceed \$25,000,000,

'(U) 3 newly constructed fishing vessels, and one vessel that is overhauled, constructed by Mid Coast Marine, but only to the extent of \$6,700,000 of investment,

'(V) \$350,000 of equipment acquired in connection with the reopening of a plant in Bristol, Rhode Island, which plant was purchased by Buttonwoods, Ltd., Associates on February 7, 1986,

'(W) \$4,046,000 of equipment placed in service by Brendle's Incorporated, acquired in connection with a Distribution Center,

'(X) a multi-family mixed-use housing project located in a home rule city, the zoning for which was changed to residential business planned development on November 26, 1985, and with respect to which both the home rule city on December 4, 1985, and the State housing finance agency on December 20, 1985, adopted inducement resolutions,

'(Y) the Myrtle Beach Convention Center, in South Carolina, to the extent of \$25,000,000 of investment, and

'(Z) railroad cars placed in service by the Pullman Leasing Company, pursuant to an April 3, 1986 purchase order, costing approximately \$10,000,000.

'(33) The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to -

'(A) \$400,000 of equipment placed in service by Super Key Market, if such equipment is placed in service before January 1, 1987,

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'(B) the Trolley Square project, the total project cost of which is \$24,500,000, and the amount of depreciable real property of which is \$14,700,000.

'(C)(i) a waste-to-energy project in Derry, New Hampshire, costing approximately \$60,000,000, and

'(ii) a waste-to-energy project in Manchester, New Hampshire, costing approximately \$60,000,000,

'(D) the City of Los Angeles Co-composting project, the estimated cost of which is \$62,000,000, with respect to which, on July 17, 1985, the California Pollution Control Financing Authority issued an initial resolution in the maximum amount of \$75,000,000 to finance this project,

'(E) the St. Charles, Missouri Mixed-Use Center,

'(F) Oxford Place in Tulsa, Oklahoma,

'(G) an amount of investment generating \$20,000,000 of investment tax credits attributable to property used on the Illinois Diversatech Campus,

'(H) \$25,000,000 of equipment used in the Melrose Park Engine Plant that is sold and leased back by Navistar,

'(I) 80,000 vending machines, for a cost approximating \$3,400,000 placed into service by Folz Vending Co.,

'(J) A 25.85 megawatt alternative energy facility located in Deblois, Maine, with respect to which certification by the Federal Energy Regulatory Commission was made on April 3, 1986,

'(K) Burbank Manors, in Illinois, and

'(L) a cogeneration facility to be built at a paper company in Turners Falls, Massachusetts, with respect to which a letter of intent was executed on behalf of the paper company on September 26, 1985.

'(40) Certain trucks, etc. - The amendments made by section 201 shall not apply to trucks, tractor units, and trailers which a privately held truck leasing company headquartered in Des Moines, Iowa, contracted to purchase in September 1985 but only to the extent the aggregate reduction in Federal tax liability by reason of the application of this paragraph does not exceed \$8,500,000.

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'(34) The amendments made by section 201 shall not apply to an approximately 240,000 square foot beverage container manufacturing plant located in Batesville, Mississippi, or plant equipment used exclusively on the plant premises if -

'(A) a 2-year supply contract was signed by the taxpayer and a customer on November 1, 1985,

'(B) such contract further obligated the customer to purchase beverage containers for an additional 5-year period if physical signs of construction of the plant are present before September 1986,

'(C) ground clearing for such plant began before August 1986, and

'(D) construction is completed, the equipment is installed, and operations are commenced before July 1, 1987.

'(35) The amendments made by section 201 shall not apply to any property which is part of the multifamily housing at the Columbia Point Project in Boston, Massachusetts. A project shall be treated as not described in the preceding sentence and as not described in section 252(f)(1)(D) (set out as a note under section 42 of this title) unless such project includes at substantially all times throughout the compliance period (within the meaning of section 42(i)(1) of the Internal Revenue Code of 1986), a facility which provides health services to the residents of such project for fees commensurate with the ability of such individuals to pay for such services.

'(36) The amendments made by section 201 shall not apply to any ethanol facility located in Blair, Nebraska, if -

'(A) in July of 1984 an initial binding construction contract was entered into for such facility,

'(B) in June of 1986, certain Department of Energy recommended contract changes required a change of contractor, and

'(C) in September of 1986, a new contract to construct such facility, consistent with such recommended changes, was entered into.

'(37) The amendments made by section 201 shall not apply to any property which is part of a sewage treatment facility if, prior to January 1, 1986, the City of Conyers, Georgia, selected a privatizer to construct such facility, received a guaranteed maximum price bid for the construction of such facility, signed a letter of intent and began substantial negotiations of a service agreement with respect to such facility.

'(38) The amendments made by section 201 shall not apply to -

'(A) a \$28,000,000 wood resource complex for which construction was authorized by the Board of Directors on August 9, 1985,

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(B) an electrical cogeneration plant in Bethel, Maine which is to generate 2 megawatts of electricity from the burning of wood residues, with respect to which a contract was entered into on July 10, 1984, and with respect to which \$200,000 of the expected \$2,000,000 cost had been committed before June 15, 1986,

(C) a mixed income housing project in Portland, Maine which is known as the Back Bay Tower and which is expected to cost \$17,300,000,

(D) the Eastman Place project and office building in Rochester, New York, which is projected to cost \$20,000,000, with respect to which an inducement resolution was adopted in December 1986, and for which a binding contract of \$500,000 was entered into on April 30, 1986,

(E) the Marquis Two project in Atlanta, Georgia which has a total budget of \$72,000,000 and the construction phase of which began under a contract entered into on March 26, 1986,

(F) a 166-unit continuing care retirement center in New Orleans, Louisiana, the construction contract for which was signed on February 12, 1986, and is for a maximum amount not to exceed \$8,500,000,

(G) the expansion of the capacity of an oil refining facility in Rosemont, Minnesota from 137,000 to 207,000 barrels per day which is expected to be completed by December 31, 1990, and

(H) a project in Ransom, Pennsylvania which will burn coal waste (known as 'culm') with an approximate cost of \$64,000,000 and for which a certification from the Federal Energy Regulatory Commission was received on March 11, 1986.

(39) The amendments made by section 201 shall not apply to any facility for the manufacture of an improved particle board if a binding contract to purchase such equipment was executed March 3, 1986, such equipment will be placed in service by January 1, 1988, and such facility is located in or near Moncure, North Carolina.

(b) Special Rule for Certain Property. -

The provisions of section 168(f)(8) of the Internal Revenue Code of 1954 (as amended by section 209 of the Tax Equity and Fiscal Responsibility Act of 1982) shall continue to apply to any transaction permitted by reason of section 12(c)(2) of the Tax Reform Act of 1984 or section 209(d)(1)(B) of the Tax Equity and Fiscal Responsibility Act of 1982 (as amended by the Tax Reform Act of 1984) (section 12(c)(2) of Pub. L. 98-369 and section 209(d)(1)(B) of Pub. L. 97-248, respectively, set out as notes below).

(c) Applicable Date in Certain Cases. -

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'(1) Section 203(b)(2) shall be applied by substituting 'January 1, 1992' for 'January 1, 1991' in the following cases.

'(A) in the case of a 2-unit nuclear powered electric generating plant (and equipment and incidental appurtenances), located in Pennsylvania and constructed pursuant to contracts entered into by the owner operator of the facility before December 31, 1975, including contracts with the engineer/constructor and the nuclear steam system supplier, such contracts shall be treated as contracts described in section 203(b)(1)(A),

'(B) a cogeneration facility with respect to which an application with the Federal Energy Regulatory Commission was filed on August 2, 1985, and approved October 15, 1985.

'(C) in the case of a 1,300 megawatt coal-fired steam powered electric generating plant (and related equipment and incidental appurtenances), which the three owners determined in 1984 to convert from nuclear power to coal power and for which more than \$600,000,000 had been incurred or committed for construction before September 25, 1985, except that no investment tax credit will be allowable under section 49(d)(3) added by section 211(a) of this Act (section 49(d) of this title does not contain a par. (3)) for any qualified progress expenditures made after December 31, 1990.

'(2) Section 203(b)(2) shall be applied by substituting 'April 1, 1992' for the applicable date that would otherwise apply, in the case of the second unit of a twin steam electric generating facility and related equipment which was granted a certificate of public convenience and necessity by a public service commission prior to January 1, 1982, if the first unit of the facility was placed in service prior to January 1, 1985, and before September 26, 1985, more than \$100,000,000 had been expended toward the construction of the second unit.

'(3) Section 203(b)(2) shall be applied by substituting 'January 1, 1990,' (or, in the case of a project described in subparagraph (B), by substituting 'April 1, 1992') for the applicable date that would otherwise apply in the case of -

'(A) new commercial passenger aircraft used by a domestic airline, if a binding contract with respect to such aircraft was entered into on or before April 1, 1986, and such aircraft has a present class life of 12 years,

'(B) a pumped storage hydroelectric project with respect to which an application was made to the Federal Energy Regulatory Commission for a license on February 4, 1974, and license was issued August 1, 1977, the project number of which is 2740, and

'(C) a newsprint mill in Pend Oreille county, Washington, costing about \$290,000,000. In the case of an aircraft described in subparagraph (A), section 203(b)(1)(A) shall be applied by substituting 'April 1, 1986' for 'March 1, 1986' and section 49(e)(1)(B) of the Internal Revenue Code of 1986 shall not apply.

'(4) The amendments made by section 201 (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall not apply to a limited amount of the following property or a limited amount of property set forth in a submission before September 16, 1986, by the following taxpayers:

'(A) Arena project, Michigan, but only with respect to \$78,000,000 of investments.

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'(B) Campbell Soup Company, Pennsylvania, California, North Carolina, Ohio, Maryland, Florida, Nebraska, Michigan, South Carolina, Texas, New Jersey, and Delaware, but only with respect to \$9,329,000 of regular investment tax credits.

'(C) The Southeast Overtown/Park West development, Florida, but only with respect to \$200,000,000 of investments.

'(D) Equipment placed in service and operated by Leggett and Platt before July 1, 1987, but only with respect to \$2,000,000 of regular investment tax credits, and subsections (c) and (d) of section 49 of the Internal Revenue Code of 1986 shall not apply to such equipment.

'(E) East Bank Housing Project.

'(F) \$1,561,215 of investments by Standard Telephone Company.

'(G) Five aircraft placed in service before January 1, 1987, by Presidential Air.

'(H) A rehabilitation project by Ann Arbor Railroad, but only with respect to \$2,900,000 of investments.

'(I) Property that is part of a cogeneration project located in Ada, Michigan, but only with respect to \$30,000,000 of investments.

'(J) Anchor Store Project, Michigan, but only with respect to \$21,000,000 of investments.

'(K) A waste-fired electrical generating facility of Biogen Power, but only with respect to \$34,000,000 of investments.

'(L) \$14,000,000 of television transmitting towers placed in service by Media General, Inc., which were subject to binding contracts as of January 21, 1986, and will be placed in service before January 1, 1988,

'(M) Interests of Samuel A. Hardage (whether owned individually or in partnership form).

'(N) Two aircraft of Mesa Airlines with an aggregate cost of \$5,723,484.

'(O) Yarn-spinning equipment used at Spray Cotton Mills, but only with respect to \$3,000,000 of investments.

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'(P) 328 units of low-income housing at Angelus Plaza, but only with respect to \$20,500,000 of investments.

'(Q) One aircraft of Continental Aviation Services with a cost of approximately \$15,000,000 that was purchased pursuant to a contract entered into during March of 1983 and that is placed in service by December 31, 1988.

'(d) Railroad Grading and Tunnel Bores. -

'(1) In general. - In the case of expenditures for railroad grading and tunnel bores which were incurred by a common carrier by railroad to replace property destroyed in a disaster occurring on or about April 17, 1983, near Thistle, Utah, such expenditures, to the extent not in excess of \$15,000,000, shall be treated as recovery property which is 5-year property under section 168 of the Internal Revenue Code of 1954 (as in effect before the amendments made by this Act) and which is placed in service at the time such expenditures were incurred.

'(2) Business interruption proceeds. - Business interruption proceeds received for loss of use, revenues, or profits in connection with the disaster described in paragraph (1) and devoted by the taxpayer described in paragraph (1) to the construction of replacement track and related grading and tunnel bore expenditures shall be treated as constituting an amount received from the involuntary conversion of property under section 1033(a)(2) of such Code.

'(3) Effective date. - This subsection shall apply to taxable years ending after April 17, 1983.

'(e) Treatment of Certain Disaster Losses. -

'(1) In general. - In the case of a disaster described in paragraph (2), at the election of the taxpayer, the amendments made by section 201 of this Act (amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) -

'(A) shall not apply to any property placed in service during 1987 or 1988, or

'(B) shall apply to any property placed in service during 1985 or 1986, which is property to replace property lost, damaged, or destroyed in such disaster.

'(2) Disaster to which section applies. - This section shall apply to a flood which occurred on November 3 through 7, 1985, and which was declared a natural disaster area by the President of the United States.'

Section 1002(c)(3) of Pub. L. 100-647 provided that: 'Notwithstanding section 203 of the Reform Act (section 203 of Pub. L. 99-514, set out above), the amendments made by section 201 of the Reform Act (section 201 of Pub. L. 99-514, amending sections 46, 167, 168, 178, 179, 280F, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of this title) shall apply to any real property which was acquired before January 1, 1987, and was converted on or after such date from personal use to a use for which depreciation is allowable.'

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Amendment by section 201(a) of Pub. L. 99-514 not applicable to any property placed in service before Jan. 1, 1994, if such property placed in service as part of specified rehabilitations, and not applicable to certain additional rehabilitations, see section 251(d)(2), (3) of Pub. L. 99-514, set out as a note under section 46 of this title.

Amendment by sections 1802(a)(1)-(2)(D), (G), (3), (4)(A), (B), (7), (b)(1), 1809(a)(1)-(2)(B), (4)(A),(B) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

Section 1802(a)(2)(E)(ii) of Pub. L. 99-514 provided that:

'(I) Except as otherwise provided in this clause, the amendment made by clause (I) (amending this section) shall apply to property placed in service after September 27, 1985; except that such amendment shall not apply to any property acquired pursuant to a binding written contract in effect on such date (and at all times thereafter).

'(II) If an election under this subclause is made with respect to any property, the amendment made by clause (I) shall apply to such property whether or not placed in service on or before September 27, 1985.'

Section 1809(a)(2)(C)(i) of Pub. L. 99-514 provided in part that amendment by section 1809(a)(2)(C)(i) of Pub. L. 99-514 is effective on and after Oct. 22, 1986.

Section 1809(b)(3) of Pub. L. 99-514 provided that: 'The amendments made by this subsection (amending this section) shall apply to property placed in service by the transferee after December 31, 1985, in taxable years ending after such date.'

EFFECTIVE DATE OF 1985 AMENDMENT

Section 105(b) of Pub. L. 99-121, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

'(1) In general. - Except as otherwise provided in this subsection, the amendments made by section 103 (amending sections 47, 48, 57, 168, 312, and 1245 of this title) shall apply with respect to property placed in service by the taxpayer after May 8, 1985.

'(2) Exception. - The amendments made by section 103 shall not apply to property placed in service by the taxpayer before January 1, 1987, if -

'(A) the taxpayer or a qualified person entered into a binding contract to purchase or construct such property before May 9, 1985, or

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(B) construction of such property was commenced by or for the taxpayer or a qualified person before May 9, 1985.

For purposes of this paragraph, the term 'qualified person' means any person whose rights in such a contract or such property are transferred to the taxpayer, but only if such property is not placed in service before such rights are transferred to the taxpayer.

(3) Special rule for components. - For purposes of applying section 168(f)(1)(B) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as amended by section 103) to components placed in service after December 31, 1986, property to which paragraph (2) of this subsection applies shall be treated as placed in service by the taxpayer before May 9, 1985.

(4) Technical correction. - The amendment made by paragraph (6) of section 103(b) (amending section 47 of this title) shall apply as if included in the amendments made by section 111 of the Tax Reform Act of 1984 (Pub. L. 98-369, see Effective Date of 1984 Amendment note below).

(5) Special rule for leasing of qualified rehabilitated buildings. - The amendment made by paragraph (5) of section 103(b) to section 48(g)(2)(B)(v) of the Internal Revenue Code of 1986 shall not apply to leases entered into before May 22, 1985, but only if the lessee signed the lease before May 17, 1985.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by section 12 of Pub. L. 98-369 applicable to taxable years ending after Dec. 31, 1983, see section 18(a) of Pub. L. 98-369, set out as a note under section 48 of this title.

Section 31(g) of Pub. L. 98-369, as amended by Pub. L. 99-514, Sec. 2, title XVIII, Sec. 1802(a)(2)(F), (10)(A)-(D)(i), (E)-(G), Oct. 22, 1986, 100 Stat. 2095, 2788, 2790, 2791; Pub. L. 100-647, title I, Sec. 1018(b)(1), Nov. 10, 1988, 102 Stat. 3577, provided that:

(1) In general. - Except as otherwise provided in this subsection, the amendments made by this section (amending sections 46, 48, 168, and 7701 of this title) shall apply -

(A) to property placed in service by the taxpayer after May 23, 1983, in taxable years ending after such date, and

(B) to property placed in service by the taxpayer on or before May 23, 1983, if the lease to the tax-exempt entity is entered into after May 23, 1983.

(2) Leases entered into on or before May 23, 1983. - The amendments made by this section shall not apply with respect to any property leased to a tax-exempt entity if the property is leased pursuant to -

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'(A) a lease entered into on or before May 23, 1983 (or a sublease under such a lease), or

'(B) any renewal or extension of a lease entered into on or before May 23, 1983, if such renewal or extension is pursuant to an option exercisable by the tax-exempt entity which was held by the tax-exempt entity on May 23, 1983.

'(3) Binding contracts, etc. -

'(A) The amendments made by this section shall not apply with respect to any property leased to a tax-exempt entity if such lease is pursuant to 1 or more written binding contracts which, on May 23, 1983, and at all times thereafter, required -

'(i) the taxpayer (or his predecessor in interest under the contract) to acquire, construct, reconstruct, or rehabilitate such property, and

'(ii) the tax-exempt entity (or a tax-exempt predecessor thereof) to be the lessee of such property.

'(B) Paragraph (9) of section 168(j) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as added by this section) shall not apply with respect to any property owned by a partnership if -

'(i) such property was acquired by such partnership on or before October 21, 1983, or

'(ii) such partnership entered into a written binding contract which, on October 21, 1983, and at all times thereafter, required the partnership to acquire or construct such property.

'(C) The amendments made by this section shall not apply with respect to any property leased to a tax-exempt entity (other than any foreign person or entity) -

'(i) if -

'(I) on or before May 23, 1983, the taxpayer (or his predecessor in interest under the contract) or the tax-exempt entity entered into a written binding contract to acquire, construct, reconstruct, or rehabilitate such property and such property had not previously been used by the tax-exempt entity, or

'(II) the taxpayer or the tax-exempt entity acquired the property after June 30, 1982, and on or before May 23, 1983, or completed the construction, reconstruction, or rehabilitation of the property after December 31, 1982, and on or before May 23, 1983, and

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'(ii) if such lease is pursuant to a written binding contract entered into before January 1, 1985, which requires the tax-exempt entity to be the lessee of such property.

'(4) Official governmental action on or before november 1, 1983. -

'(A) In general. - The amendments made by this section shall not apply with respect to any property leased to a tax-exempt entity (other than the United States, any agency or instrumentality thereof, or any foreign person or entity) if -

'(i) on or before November 1, 1983, there was significant official governmental action with respect to the project or its design, and

'(ii) the lease to the tax-exempt entity is pursuant to a written binding contract entered into before January 1, 1985, which requires the tax-exempt entity to be the lessee of the property.

'(B) Significant official governmental action. - For purposes of subparagraph (A), the term 'significant official governmental action' does not include granting of permits, zoning changes, environmental impact statements, or similar governmental actions.

'(C) Special rule for credit unions. - In the case of any property leased to a credit union pursuant to a written binding contract with an expiration date of December 31, 1984, which was entered into by such organization on August 23, 1984 -

'(i) such credit union shall not be treated as an agency or instrumentality of the United States; and

'(ii) clause (ii) of subparagraph (A) shall be applied by substituting 'January 1, 1987' for 'January 1, 1985'.

'(D) Special rule for greenville auditorium board. - For purposes of this paragraph, significant official governmental action taken by the Greenville County Auditorium Board of Greenville, South Carolina, before May 23, 1983, shall be treated as significant official governmental action with respect to the coliseum facility subject to a binding contract to lease which was in effect on January 1, 1985.

'(E) Treatment of certain historic structures. - If -

'(i) on June 16, 1982, the legislative body of the local governmental unit adopted a bond ordinance to provide funds to renovate elevators in a deteriorating building owned by the local governmental unit and listed in the National Register, and

'(ii) the chief executive officer of the local governmental unit, in connection with the renovation of such building, made an application on June 1, 1983, to a State agency for a Federal historic preservation grant and made an application on June 17, 1983, to the Economic

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Development Administration of the United States Department of Commerce for a grant, the requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as met.

'(5) Mass commuting vehicles. - The amendments made by this section shall not apply to any qualified mass commuting vehicle (as defined in section 103(b)(9) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*)) which is financed in whole or in part by obligations the interest on which is excludable from gross income under section 103(a) of such Code if -

'(A) such vehicle is placed in service before January 1, 1988, or

'(B) such vehicle is placed in service on or after such date -

'(i) pursuant to a binding contract or commitment entered into before April 1, 1983, and

'(ii) solely because of conditions which, as determined by the Secretary of the Treasury or his delegate, are not within the control of the lessor or lessee.

'(6) Certain turbines and boilers. - The amendments made by this section shall not apply to any property described in section 208(d)(3)(E) of the Tax Equity and Fiscal Responsibility Act of 1982 (section 208(d)(3)(E) of Pub. L. 97-248, set out as an Effective Date of 1982 Amendments note below).

'(7) Certain facilities for which ruling requests filed on or before May 23, 1983. - The amendments made by this section shall not apply with respect to any facilities described in clause (ii) of section 168(f)(12)(C) of the Internal Revenue Code of 1986 (relating to certain sewage or solid waste disposal facilities), as in effect on the day before the date of the enactment of this Act (July 18, 1984), if a ruling request with respect to the lease of such facility to the tax-exempt entity was filed with the Internal Revenue Service on or before May 23, 1983.

'(8) Recovery period for certain qualified sewage facilities. -

'(A) In general. - In the case of any property (other than 15-year real property) which is part of a qualified sewage facility, the recovery period used for purposes of paragraph (1) of section 168(j) of the Internal Revenue Code of 1986 (as added by this section) shall be 12 years. For purposes of the preceding sentence, the term '15-year real property' includes 18-year real property.

'(B) Qualified sewage facility. - For purposes of subparagraph (A), the term 'qualified sewage facility' means any facility which is part of the sewer system of a city, if -

'(i) on June 15, 1983, the City Council approved a resolution under which the city authorized the procurement of equity investments for such facility, and

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'(ii) on July 12, 1983, the Industrial Development Board of the city approved a resolution to issue a \$100,000,000 industrial development bond issue to provide funds to purchase such facility.

'(9) Property used by the postal service. - In the case of property used by the United States Postal Service, paragraphs (1) and (2) shall be applied by substituting 'October 31' for 'May 23'.

'(10) Existing appropriations. - The amendments made by this section shall not apply to personal property leased to or used by the United States if -

'(A) an express appropriation has been made for rentals under such lease for the fiscal year 1983 before May 23, 1983, and

'(B) the United States or an agency or instrumentality thereof has not provided an indemnification against the loss of all or a portion of the tax benefits claimed under the lease or service contract.

'(11) Special rule for certain partnerships. -

'(A) Partnerships for which qualifying action existed before October 21, 1983. - Paragraph (9) of section 168(j) of the Internal Revenue Code of 1986 (as added by this section) shall not apply to any property acquired, directly or indirectly, before January 1, 1985, by any partnership described in subparagraph (B).

'(B) Application filed before October 21, 1983. - A partnership is described in this subparagraph if -

'(i) before October 21, 1983, the partnership was organized, a request for exemption with respect to such partnership was filed with the Department of Labor, and a private placement memorandum stating the maximum number of units in the partnership that would be offered had been circulated,

'(ii) the interest in the property to be acquired, directly or indirectly (including through acquiring an interest in another partnership) by such partnership was described in such private placement memorandum, and

'(iii) the marketing of partnership units in such partnership is completed not later than two years after the later of the date of the enactment of this Act (July 18, 1984) or the date of publication in the Federal Register of such exemption by the Department of Labor and the aggregate number of units in such partnership sold does not exceed the amount described in clause (i).

'(C) Partnerships for which qualifying action existed before March 6, 1984. - Paragraph (9) of section 168(j) of the Internal Revenue Code of 1986 (as added by this section) shall not apply to any property acquired directly or indirectly, before January 1, 1986, by any partnership described in subparagraph (D). For purposes of this subparagraph, property shall be deemed to have been acquired prior to January 1, 1986, if the partnership had entered into a written binding contract to acquire such property prior to January 1, 1986 and the closing of

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such contract takes place within 6 months of the date of such contract (24 months in the case of new construction).

'(D) Partnership organized before March 6, 1984. - A partnership is described in this subparagraph if -

'(i) before March 6, 1984, the partnership was organized and publicly announced the maximum amount (as shown in the registration statement, prospectus or partnership agreement, whichever is greater) of interests which would be sold in the partnership, and

'(ii) the marketing or partnership interests in such partnership was completed not later than the 90th day after the date of the enactment of this Act (July 18, 1984) and the aggregate amount of interest in such partnership sold does not exceed the maximum amount described in clause (i).

'(12) Special rule for amendment made by subsection (c)(2). - The amendment made by subsection (c)(2) (amending section 48(g)(2)(B)(i) of this title) to the extent it relates to subsection (f)(12) of section 168 of the Internal Revenue Code of 1986 shall take effect as if it had been included in the amendments made by section 216(a) of the Tax Equity and Fiscal Responsibility Act of 1982 (section 216(a) of Pub. L. 97-248, which amended this section).

'(13) Special rule for service contracts not involving tax-exempt entities. - In the case of a service contract or other arrangement described in section 7701(e) of the Internal Revenue Code of 1986 (as added by this section) with respect to which no party is a tax-exempt entity, such section 7701(e) shall not apply to -

'(A) such contract or other arrangement if such contract or other arrangement was entered into before November 5, 1983, or

'(B) any renewal or other extension of such contract or other arrangement pursuant to an option contained in such contract or other arrangement on November 5, 1983.

'(14) Property leased to section 593 organizations. - For purposes of the amendment made by subsection (f) (enacting section 46(e)(4) of this title), paragraphs (1), (2), and (4) shall be applied by substituting -

'(A) 'November 5, 1983' for 'May 23, 1983' and 'November 1, 1983', as the case may be, and

'(B) 'organization described in section 593 of the Internal Revenue Code of 1986' for 'tax-exempt entity'.

'(15) Special rules relating to foreign persons or entities. -

'(A) In general. - In the case of tax-exempt use property which is used by a foreign person or entity, the amendments made by this section shall not apply to any property which -

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'(i) is placed in service by the taxpayer before January 1, 1984, and

'(ii) is used by such foreign person or entity pursuant to a lease entered into before January 1, 1984.

'(B) Special rule for subleases. - If tax-exempt use property is being used by a foreign person or entity pursuant to a sublease under a lease described in subparagraph (A)(ii), subparagraph (A) shall apply to such property only if such property was used before January 1, 1984, by any foreign person or entity pursuant to such lease.

'(C) Binding contracts, etc. - The amendments made by this section shall not apply with respect to any property (other than aircraft described in subparagraph (D)) leased to a foreign person or entity -

'(i) if -

'(i) on or before May 23, 1983, the taxpayer (or a predecessor in interest under the contract) or the foreign person or entity entered into a written binding contract to acquire, construct, or rehabilitate such property and such property had not previously been used by the foreign person or entity, or

'(ii) the taxpayer or the foreign person or entity acquired the property or completed the construction, reconstruction, or rehabilitation of the property after December 31, 1982 and on or before May 23, 1983, and

'(ii) if such lease is pursuant to a written binding contract entered into before January 1, 1984, which requires the foreign person or entity to be the lessee of such property.

'(D) Certain aircraft. - The amendments made by this section shall not apply with respect to any wide-body, four-engine, commercial aircraft used by a foreign person or entity if -

'(i) on or before November 1, 1983, the foreign person or entity entered into a written binding contract to acquire such aircraft, and

'(ii) such aircraft is originally placed in service by such foreign person or entity (or its successor in interest under the contract) after May 23, 1983, and before January 1, 1986.

'(E) Use after 1983. - Qualified container equipment placed in service before January 1, 1984, which is used before such date by a foreign person shall not, for purposes of section 47 of the Internal Revenue Code of 1986, be treated as ceasing to be section 38 property by reason of the use of such equipment before January 1, 1985, by a foreign person or entity. For purposes of this subparagraph, the term 'qualified container equipment' means any container, container chassis, or container trailer of a United States person with a present class

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life of not more than 6 years.

'16) Organizations electing exemption from rules relating to previously tax-exempt organizations must elect taxation of exempt arbitrage profits. -

'(A) In general. - An organization may make the election under section 168(j)(4)(E)(ii) of the Internal Revenue Code of 1986 (relating to election not to have rules relating to previously tax-exempt organizations apply) only if such organization elects the tax treatment of exempt arbitrage profits described in subparagraph (B).

'(B) Taxation of exempt arbitrage profits. -

'(i) In general. - In the case of an organization which elects the application of this subparagraph, there is hereby imposed a tax on the exempt arbitrage profits of such organization.

'(ii) Rate of tax, etc. - The tax imposed by clause (i) -

'(i) shall be the amount of tax which would be imposed by section 11 of such Code if the exempt arbitrage profits were taxable income (and there were no other taxable income), and

'(ii) shall be imposed for the first taxable year of the tax-exempt use period (as defined in section 168(j)(4)(E)(ii) of such Code).

'(C) Exempt arbitrage profits. -

'(i) In general. - For purposes of this paragraph, the term exempt arbitrage profits means the aggregate amount described in clauses (i) and (ii) of subparagraph (D) of section 103(c)(6) of such Code for all taxable years for which the organization was exempt from tax under section 501(a) of such Code with respect to obligations -

'(i) associated with property described in section 168(j)(4)(E)(i), and

'(ii) issued before January 1, 1985.

'(ii) Application of section 103(b)(6). - For purposes of this paragraph, section 103(b)(6) of such Code shall apply to obligations issued before January 1, 1985, but the amount described in clauses (i) and (ii) of subparagraph (D) thereof shall be determined without regard to clauses (i)(II) and (ii) of subparagraph (F) thereof.

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'(D) Other laws applicable. -

'(i) In general. - Except as provided in clause (ii), all provisions of law, including penalties, applicable with respect to the tax imposed by section 11 of such Code shall apply with respect to the tax imposed by this paragraph.

'(ii) No credits against tax, etc. - The tax imposed by this paragraph shall not be treated as imposed by section 11 of such Code for purposes of -

'(I) part VI of subchapter A of chapter 1 of such Code (relating to minimum tax for tax preferences), and

'(II) determining the amount of any credit allowable under subpart A of part IV of such subchapter.

'(E) Election. - Any election under subparagraph (A) -

'(i) shall be made at such time and in such manner as the Secretary may prescribe,

'(ii) shall apply to any successor organization which is engaged in substantially similar activities, and

'(iii) once made, shall be irrevocable.

'(17) Certain transitional leased property. - The amendments made by this section shall not apply to property described in section 168(c)(2)(D) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of this Act (July 18, 1984), and which is described in any of the following subparagraphs:

'(A) Property is described in this subparagraph if such property is leased to a university, and -

'(i) on June 16, 1983, the Board of Administrators of the university adopted a resolution approving the rehabilitation of the property in connection with an overall campus development program; and

'(ii) the property houses a basketball arena and university offices.

'(B) Property is described in this subparagraph if such property is leased to a charitable organization, and -

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'(i) on August 21, 1981, the charitable organization acquired the property, with a view towards rehabilitating the property; and

'(ii) on June 12, 1982, an arson fire caused substantial damage to the property, delaying the planned rehabilitation.

'(C) Property is described in this subparagraph if such property is leased to a corporation that is described in section 501(c)(3) of the Internal Revenue Code of 1986 (relating to organizations exempt from tax) pursuant to a contract -

'(i) which was entered into on August 3, 1983; and

'(ii) under which the corporation first occupied the property on December 22, 1983.

'(D) Property is described in this subparagraph if such property is leased to an educational institution for use as an Arts and Humanities Center and with respect to which -

'(i) in November 1982, an architect was engaged to design a planned renovation;

'(ii) in January 1983, the architectural plans were completed;

'(iii) in December 1983, a demolition contract was entered into; and

'(iv) in March 1984, a renovation contract was entered into.

'(E) Property is described in this subparagraph if such property is used by a college as a dormitory, and -

'(i) in October 1981, the college purchased the property with a view towards renovating the property;

'(ii) renovation plans were delayed because of a zoning dispute; and

'(iii) in May 1983, the court of highest jurisdiction in the State in which the college is located resolved the zoning dispute in favor of the college.

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'(F) Property is described in this subparagraph if such property is a fraternity house related to a university with respect to which -

'(i) in August 1982, the university retained attorneys to advise the university regarding the rehabilitation of the property;

'(ii) on January 21, 1983, the governing body of the university established a committee to develop rehabilitation plans;

'(iii) on January 10, 1984, the governor of the state in which the university is located approved historic district designation for an area that includes the property; and

'(iv) on February 2, 1984, historic preservation certification applications for the property were filed with a historic landmarks commission.

'(G) Property is described in this subparagraph if such property is leased to a retirement community with respect to which -

'(i) on January 5, 1977, a certificate of incorporation was filed with the appropriate authority of the state in which the retirement community is located; and

'(ii) on November 22, 1983, the Board of Trustees adopted a resolution evidencing the intention to begin immediate construction of the property.

'(H) Property is described in this subparagraph if such property is used by a university, and -

'(i) in July 1982, the Board of Trustees of the university adopted a master plan for the financing of the property; and

'(ii) as of August 1, 1983, at least \$60,000 in private expenditures had been expended in connection with the property. In the case of Clemson University, the preceding sentence applies only to the Continuing Education Center and the component housing project.

'(I) Property is described in this subparagraph if such property is used by a university as a fine arts center and the Board of Trustees of such university authorized the sale-leaseback agreement with respect to such property on March 7, 1984.

'(J) Property is described in this subparagraph if such property is used by a tax-exempt entity as an international trade center, and

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'(i) prior to 1982, an environmental impact study for such property was completed;

'(ii) on June 24, 1981, a developer made a written commitment to provide one-third of the financing for the development of such property;
and

'(iii) on October 20, 1983, such developer was approved by the Board of Directors of the tax-exempt entity.

'(K) Property is described in this subparagraph if such property is used by university of osteopathic medicine and health sciences, and on or before December 31, 1983, the Board of Trustees of such university approved the construction of such property.

'(L) Property is described in this subparagraph if such property is used by a tax-exempt entity, and -

'(i) such use is pursuant to a lease with a taxpayer which placed substantial improvements in service;

'(ii) on May 23, 1983, there existed architectural plans and specifications (within the meaning of sec. 48(g)(1)(C)(ii) of the Internal Revenue Code of 1986); and

'(iii) prior to May 23, 1983, at least 10 percent of the total cost of such improvements was actually paid or incurred. Property is described in this subparagraph if such property was leased to a tax-exempt entity pursuant to a lease recorded in the Register of Deed of Essex County, New Jersey, on May 7, 1984, and a deed of such property was recorded in the Register of Deed of Essex County, New Jersey, on May 7, 1984.

'(M) Property is described in this subparagraph if such property is used as a convention center and on June 2, 1983, the City Council of the city in which the center is located provided for over \$6 million for the project.

'(18) Special rule for amendment made by subsection (c)(1). -

'(A) In general. - The amendment made by subsection (c)(1) (enacting section 48(g)(2)(B)(vi) of this title) shall not apply to property -

'(i) leased by the taxpayer on or before November 1, 1983, or

'(ii) leased by the taxpayer after November 1, 1983, if on or before such date the taxpayer entered into a written binding contract requiring the taxpayer to lease such property.

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'(B) Limitation. - Subparagraph (A) shall apply to the amendment made by subsection (c)(1) only to the extent such amendment relates to property described in subclause (II), (III), or (IV) of section 168(j)(3)(B)(ii) of the Internal Revenue Code of 1986 (as added by this section).

'(19) Special rule for certain energy management contracts. -

'(A) In general. - The amendments made by subsection (e) (amending section 7701 of this title) shall not apply to property used pursuant to an energy management contract that was entered into prior to May 1, 1984.

'(B) Definition of energy management contract. - For purposes of subparagraph (A), the term 'energy management contract' means a contract for the providing of energy conservation or energy management services.

'(20) Definitions. - For purposes of this subsection -

'(A) Tax-exempt entity. - The term 'tax-exempt entity' has the same meaning as when used in section 168(j) of the Internal Revenue Code of 1986 (as added by this section), except that such term shall include any related entity (within the meaning of such section).

'(B) Treatment of improvements. -

'(i) In general. - For purposes of this subsection, an improvement to property shall not be treated as a separate property unless such improvement is a substantial improvement with respect to such property.

'(ii) Substantial improvement. - For purposes of clause (i), the term 'substantial improvement' has the meaning given such term by section 168(f)(1)(C) of such Code determined -

'(I) by substituting 'property' for 'building' each place it appears therein,

'(II) by substituting '20 percent' for '25 percent' in clause (ii) thereof, and

'(III) without regard to clause (iii) thereof.

'(C) Foreign person or entity. - The term 'foreign person or entity' has the meaning given to such term by subparagraph (C) of section 168(j)(4) of such Code (as added by this section). For purposes of this subparagraph and subparagraph (A), such subparagraph (C) shall be applied without regard to the last sentence thereof.

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'(D) Leases and subleases. - The determination of whether there is a lease or sublease to a tax-exempt entity shall take into account sections 168(j)(6)(A), 168(j)(8)(A), and 7701(e) of the Internal Revenue Code of 1986 (as added by this section).'

(Section 1802(a)(10)(B) of Pub. L. 99-514 provided in part that amendment by section 1802(a)(10)(B) of Pub. L. 99-514, amending section 31(g)(15)(D)(ii) of Pub. L. 98-369, set out above, is effective with respect to property placed in service by the taxpayer after July 18, 1984.)

(Section 1802(a)(10)(D)(ii) of Pub. L. 99-514 provided that: 'The amendment made by clause (i) (amending section 31(g)(20)(B)(ii) of Pub. L. 98-369, set out above) shall not apply to any property if -

'(i) on or before March 28, 1985, the taxpayer (or a predecessor in interest under the contract) or the tax-exempt entity entered into a written binding contract to acquire, construct, or rehabilitate the property, or

'(ii) the taxpayer or the tax-exempt entity began the construction, reconstruction, or rehabilitation of the property on or before March 28, 1985.' Section 32(c) of Pub. L. 98-369, as amended by Pub. L. 99-514, Sec. 2, title XVIII, Sec. 1802(b)(2), Oct. 22, 1986, 100 Stat. 2095, 2791, provided that: 'The amendment made by subsection (a) (amending this section) shall apply to agreements described in section 168(f)(14) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as added by subsection (a)) entered into more than 90 days after the date of the enactment of this Act (July 18, 1984).'

Section 111(g) of Pub. L. 98-369, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

'(1) In general. - Except as otherwise provided in this subsection, the amendments made by this section (amending sections 48, 51, 168, 312, and 1245 of this title) shall apply with respect to property placed in service by the taxpayer after March 15, 1984.

'(2) Exception. - The amendments made by this section shall not apply to property placed in service by the taxpayer before January 1, 1987, if -

'(A) the taxpayer or a qualified person entered into a binding contract to purchase or construct such property before March 16, 1984, or

'(B) construction of such property was commenced by or for the taxpayer or a qualified person before March 16, 1984.

For purposes of this paragraph the term 'qualified person' means any person who transfers his rights in such a contract or such property to the taxpayer, but only if such property is not placed in service by such person before such rights are transferred to the taxpayer.

'(3) Special rules for application of paragraph (2). -

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'(A) Certain inventory. - In the case of any property which -

'(i) is held by a person as property described in section 1221(1) (26 U.S.C. 1221(1)), and

'(ii) is disposed of by such person before January 1, 1985, such person shall not, for purposes of paragraph (2), be treated as having placed such property in service before such property is disposed of merely because such person rented such property or held such property for rental. No deduction for depreciation or amortization shall be allowed to such person with respect to such property,

'(B) Certain property financed by bonds. - In the case of any property with respect to which -

'(i) bonds were issued to finance such property before 1984, and

'(ii) an architectural contract was entered into before March 16, 1984, paragraph (2) shall be applied by substituting 'May 2' for 'March 16'.

'(4) Special rule for components. - For purposes of applying section 168(f)(1)(B) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as amended by this section) to components placed in service after December 31, 1986, property to which paragraph (2) applies shall be treated as placed in service by the taxpayer before March 16, 1984.

'(5) Special rule for mid-month convention. - In the case of the amendment made by subsection (d) (amending subsec. (b)(2)(A), (B) of this section) -

'(A) paragraph (1) shall be applied by substituting 'June 22, 1984' for 'March 15, 1984', and

'(B) paragraph (2) shall be applied by substituting 'June 23, 1984' for 'March 15, 1984' each place it appears.'

Amendment by section 113(a)(2) of Pub. L. 98-369 applicable to property placed in service after Mar. 15, 1984, in taxable years ending after such date, see section 113(c)(1) of Pub. L. 98-369, set out as a note under section 48 of this title.

Section 113(c)(2) of Pub. L. 98-369, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

'(A) The amendments made by paragraphs (1) of subsection (b) (amending this section) shall apply to any motion picture film or video tape placed in service before, on, or after the date of the enactment of this Act (July 18, 1984), except that such amendment shall not apply to -

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'(i) any qualified film placed in service by the taxpayer before March 15, 1984, if the taxpayer treated such film as recovery property for purposes of section 168 of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) on a return of tax under chapter 1 of such Code filed before March 16, 1984, or

'(ii) any qualified film placed in service by the taxpayer before January 1, 1985, if -

'(I) 20 percent or more of the production costs of such film were incurred before March 16, 1984, and

'(II) the taxpayer treats such film as recovery property for purposes of section 168 of such Code.

No credit shall be allowable under section 38 of such Code with respect to any qualified film described in clause (ii), except to the extent provided in section 48(k) of such Code.

'(B) The amendment made by paragraph (2) and (3) of subsection (b) (amending sections 46, 48, and 168 of this title) shall apply as if included in the amendments made by section 201(a), 211(a)(1), and 211(f)(1) of the Economic Recovery Tax Act of 1981 (sections 201(a), 211(a)(1), and 211(f)(1) of Pub. L. 97-34, enacting this section and amending section 46 of this title).

'(C) The amendment made by paragraph (4) of subsection (b) (amending section 48 of this title) shall take effect as if included in the amendments made by section 205(a)(1) of the Tax Equity and Fiscal Responsibility Act of 1982 (section 205(a)(1) of Pub. L. 97-248, amending section 48 of this title).

'(D) For purposes of this paragraph, the terms 'qualified film' and 'production costs' have the same respective meanings as when used in section 48(k) of the Internal Revenue Code of 1986.'

Amendment by section 474(r)(7) of Pub. L. 98-369 applicable to taxable years beginning after Dec. 31, 1983, and to carrybacks from such years, see section 475(a) of Pub. L. 98-369, set out as a note under section 21 of this title.

Amendment by section 612(e) of Pub. L. 98-369 applicable to interest paid or accrued after Dec. 31, 1984, on indebtedness incurred after Dec. 31, 1984, see section 612(g) of Pub. L. 98-369, set out as an Effective Date note under section 25 of this title.

Amendment by section 628(b) of Pub. L. 98-369 applicable to property placed in service after Dec. 31, 1983, with certain conditions and exceptions, see section 631(b) of Pub. L. 98-369, set out as a note under section 103 of this title.

EFFECTIVE DATE OF 1983 AMENDMENTS

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Amendment by title I of Pub. L. 97-448 effective, except as otherwise provided, as if it had been included in the provision of the Economic Recovery Tax Act of 1981, Pub. L. 97-34, to which such amendment relates, see section 109 of Pub. L. 97-448, set out as a note under section 1 of this title.

Section 102(a)(10)(B) of Pub. L. 97-448, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that: 'The amendment made by subparagraph (A) (amending this section) shall apply with respect to property to which the provisions of section 168(f)(8) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as in effect before the amendments made by the Tax Equity and Fiscal Responsibility Act of 1982 (Pub. L. 97-248)) apply.'

Amendment by section 541 of Pub. L. 97-424 applicable to taxable years beginning after Dec. 31, 1979, with a special rule for periods beginning before Mar. 1, 1980, see section 541(c) of Pub. L. 97-424, set out as a note under section 46 of this title.

EFFECTIVE DATE OF 1982 AMENDMENTS

Amendment by Pub. L. 97-354 applicable to taxable years beginning after Dec. 31, 1982, see section 6(a) of Pub. L. 97-354, set out as an Effective Date note under section 1361 of this title.

Section 208(d) of Pub. L. 97-248, as amended by Pub. L. 97-448, title III, Sec. 306(a)(4), Jan. 12, 1983, 96 Stat. 2400; Pub. L. 98-369, div. A, title X, Sec. 1067(a), July 18, 1984, 98 Stat. 1048; Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

'(1) In general. - Except as otherwise provided in this subsection, the amendments made by subsections (a) and (b) of this section (amending this section and section 47 of this title) shall apply to agreements entered into after July 1, 1982, or to property placed in service after July 1, 1982.

'(2) Transitional rule for certain safe harbor lease property. -

'(A) In general. - The amendments made by subsections (a) and (b) (amending this section and section 47 of this title) shall not apply to transitional safe harbor lease property.

'(B) Special rule for certain provisions. - Subparagraph (A) shall not apply with respect to the provisions of paragraph (6) of section 168(i) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as added by subsection (a)(1)), to the provisions of section 168(f)(8)(J) of such Code (as added by subsection (b)(4)), or to the amendment made by subsection (b)(1).

'(3) Transitional safe harbor lease property. - For purposes of this subsection, the term 'transitional safe harbor lease property' means property described in any of the following subparagraphs:

'(A) In general. - Property is described in this subparagraph if such property is placed in service before January 1, 1983, if

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'(i) with respect to such property a binding contract to acquire or to construct such property was entered into by the lessee after December 31, 1980, and before July 2, 1982, or

'(ii) such property was acquired by the lessee, or construction of such property was commenced by or for the lessee, after December 31, 1980, and before July 2, 1982.

'(B) Certain qualified lessees. - Property is described in this subparagraph if such property is placed in service before July 1, 1982, and with respect to which -

'(i) an agreement to which section 168(f)(8)(A) of the Internal Revenue Code of 1986 applies was entered into before August 15, 1982, and

'(ii) the lessee under such agreement is a qualified lessee (within the meaning of paragraph (6)).

'(C) Automotive manufacturing property. -

'(i) In general. - Property is described in this subparagraph if -

'(I) such property is used principally by the taxpayer directly in connection with the trade or business of the taxpayer of the manufacture of automobiles or light-duty trucks,

'(II) such property is automotive manufacturing property, and

'(III) such property would be described in subparagraph (A) if 'October 1' were substituted for 'January 1'.

'(ii) Light-duty truck. - For purposes of this subparagraph, the term 'light-duty truck' means any truck with a gross vehicle weight of 13,000 pounds or less. Such term shall not include any truck tractor.

'(iii) Automotive manufacturing property. - For purposes of this subparagraph, the term 'automotive manufacturing property' means machinery, equipment, and special tools of the type included in the former asset depreciation range guideline classes 37.11 and 37.12.

'(iv) Special tools used by certain vendors. - For purposes of this subparagraph, any special tools owned by a taxpayer described in subclause (I) of clause (i) which are used by a vendor solely for the production of component parts for sale to the taxpayer shall be treated as automotive manufacturing property used directly by such taxpayer.

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'(D) Certain aircraft. - Property is described in this subparagraph if such property -

'(i) is a commercial passenger aircraft (other than a helicopter), and

'(ii) would be described in subparagraph (A) if 'January 1, 1984' were substituted for 'January 1, 1983'. For purposes of determining whether property described in this subparagraph is described in subparagraph (A), subparagraph (A)(ii) shall be applied by substituting 'June 25, 1981' for 'December 31, 1980' and by substituting 'February 20, 1982' for 'July 2, 1982' and construction of the aircraft shall be treated as having been begun during the period referred to in subparagraph (A)(ii) if during such period construction or reconstruction of a subassembly was commenced, or the stub wing join occurred.

'(E) Turbines and boilers. - Property is described in this subparagraph if such property -

'(i) is a turbine or boiler of a cooperative organization engaged in the furnishing of electric energy to persons in rural areas, and

'(ii) would be property described in subparagraph (A) if 'July 1' were substituted for 'January 1'. For purposes of determining whether property described in this subparagraph is described in subparagraph (A), such property shall be treated as having been acquired during the period referred to in subparagraph (A)(ii) if at least 20 percent of the cost of such property is paid during such period.

'(F) Property used in the production of steel. - Property is described in this subparagraph if such property -

'(i) is used by the taxpayer directly in connection with the trade or business of the taxpayer of the manufacture or production of steel, and

'(ii) would be described in subparagraph (A) if 'January 1, 1984' were substituted for 'January 1, 1983'.

'(G) Coal gasification facilities. -

'(i) In general. - Property is described in this subparagraph if such property -

'(i) is used directly in connection with the manufacture or production of low sulfur gaseous fuel from coal, and

'(ii) would be described in subparagraph (A) if 'July 1, 1984' were substituted for 'January 1, 1983'.

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'(ii) Special rule. - For purposes of determining whether property described in this subparagraph is described in subparagraph (A), such property shall be treated as having been acquired during the period referred to in subparagraph (A)(ii) if at least 20 percent of the cost of such property is paid during such period.

'(iii) Limitation on amount. - Clause (i) shall only apply to the lease of an undivided interest in the property in an amount which does not exceed the lesser of -

'(I) 50 percent of the cost basis of such property, or

'(II) \$67,500,000.

'(iv) Placed in service. - In the case of property to which this subparagraph applies -

'(I) such property shall be treated as placed in service when the taxpayer receives an operating permit with respect to such property from a State environmental protection agency, and

'(II) the term of the lease with respect to such property shall be treated as being 5 years.

'(4) Special rule for antiavoidance provisions. - The provisions of paragraph (6) of section 168(i) of such Code (as added by subsection (a)(1)), and the amendment made by subsection (b)(1) (amending this section) shall apply to leases entered into after February 19, 1982, in taxable years ending after such date.

'(5) Special rule for mass commuting vehicles. - The amendments made by this section (other than section 168(i)(1) and (7) of such Code, as added by subsection (a)(1) or section 168(f)(8)(J) of such Code, as added by subsection (b)(4) and section 209 (amending this section and section 48 of this title) shall not apply to qualified leased property described in section 168(f)(8)(D)(V) of such Code (as in effect after the amendments made by this section) which -

'(A) is placed in service before January 1, 1988, or

'(B) is placed in service after such date -

'(i) pursuant to a binding contract or commitment entered into before April 1, 1983, and

'(ii) solely because of conditions which, as determined by the Secretary of the Treasury or his delegate, are not within the control of the lessor or lessee.

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'(6) Qualified lessee defined. -

'(A) In general. - The term 'qualified lessee' means a taxpayer which is a lessee of an agreement to which section 168(f)(8)(A) of such Code applies and which -

'(i) had net operating losses in each of the three most recent taxable years ending before July 1, 1982, and had an aggregate net operating loss for the five most recent taxable years ending before July 1, 1982, and

'(ii) which uses the property subject to the agreement to manufacture and produce within the United States a class of products in an industry with respect to which -

'(I) the taxpayer produced less than 5 percent of the total number of units (or value) of such products during the period covering the three most recent taxable years of the taxpayer ending before July 1, 1982, and

'(II) four or fewer United States persons (including as one person an affiliated group as defined in section 1504(a)) other than the taxpayer manufactured 85 percent or more of the total number of all units (or value) within such class of products manufactured and produced in the United States during such period.

'(B) Class of products. - For purposes of subparagraph (A) -

'(i) the term 'class of products' means any of the categories designated and numbered as a 'class of products' in the 1977 Census of Manufacturers compiled and published by the Secretary of Commerce under title 13 of the United States Code, and

'(ii) information -

'(I) compiled or published by the Secretary of Commerce, as part of or in connection with the Statistical Abstract of the United States or the Census of Manufacturers, regarding the number of units (or value) of a class of products manufactured and produced in the United States during any period, or

'(II) if information under subclause (I) is not available, so compiled or published with respect to the number of such units shipped or sold by such manufacturers during any period, shall constitute prima facie evidence of the total number of all units of such class of products manufactured and produced in the United States in such period.

'(6) Underpayments of tax for 1982. - No addition to the tax shall be made under section 6655 of the Internal Revenue Code of 1954 (relating to failure by corporation to pay estimated income tax) for any period before October 15, 1982, with respect to any underpayment

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of estimated tax by a taxpayer with respect to any tax imposed by chapter 1 of such Code to the extent that such underpayment was created or increased by any provision of this section.

'(7) Coordination with at risk rules. - Subparagraph (J) of section 168(f)(8) of the Internal Revenue Code of 1986 (as added by subsection (b)(4)) shall take effect as provided in such subparagraph (J).'

(Section 1067(c) of Pub. L. 98-369 provided that: 'The amendment made by subsection (a) (enacting section 208(d)(3)(G) of Pub. L. 97-248, set out above) shall take effect as if included in the provision of section 208(d)(3) of the Tax Equity and Fiscal Responsibility Act of 1982 (Pub. L. 97-248).'

Section 209(d) of Pub. L. 97-248; as amended by Pub. L. 98-369, div. A, title I, Sec. 12(a)(1), (2), July 18, 1984, 98 Stat. 503, provided that:

'(1) Subsection (a). -

'(A) In general. - Except as provided in subparagraph (B) and paragraph (2), the amendments made by this section (amending this section and section 48 of this title) shall apply to agreements entered into after December 31, 1987.

'(B) Special rule for farm property aggregating \$150,000 or less. -

'(i) In general. - The amendments made by subsection (a) (amending this section) shall also apply to any agreement entered into after July 1, 1982, and before January 1, 1988, if the property subject to such agreement is section 38 property which is used for farming purposes (within the meaning of section 2032A(e)(5)).

'(ii) \$150,000 limitation. - The provisions of clause (i) shall not apply to any agreement if the sum of -

'(I) the cost basis of the property subject to the agreement, plus

'(II) the cost basis of any property subject to an agreement to which this subparagraph previously applied, which was entered into during the same calendar year, and with respect to which the lessee was the lessee of the agreement described in subclause (I) (or any related person within the meaning of section 168(e)(4)(D)), exceeds \$150,000. For purposes of subclause (II), in the case of an individual, there shall not be taken into account any agreement of any individual who is a related person involving property which is used in a trade or business of farming of such related person which is separate from the trade or business of farming of the lessee described in subclause (II).

'(2) Special rule for definition of new section 38 property. - The amendment made by subsection (c) (amending section 48 of this title) shall apply to property placed in service after December 31, 1983.'

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Section 216(b) of Pub. L. 97-248, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

'(1) In general. - Except as otherwise provided in this subsection, the amendments made by this section (amending this section) shall apply with respect to property placed in service after December 31, 1982, to the extent such property is financed by the proceeds of an obligation (including a refunding obligation) issued after June 30, 1982.

'(2) Exceptions. -

'(A) Construction or binding agreement. - The amendments made by this section (amending this section) shall not apply with respect to facilities the original use of which commences with the taxpayer and -

'(i) the construction, reconstruction, or rehabilitation of which began before July 1, 1982, or

'(ii) with respect to which a binding agreement to incur significant expenditures was entered into before July 1, 1982.

'(B) Refunding. -

'(i) In general. - Except as provided in clause (ii), in the case of property placed in service after December 31, 1982 which is financed by the proceeds of an obligation which is issued solely to refund another obligation which was issued before July 1, 1982, the amendments made by this section (amending this section) shall apply only with respect to the basis in such property which has not been recovered before the date such refunding obligation is issued.

'(ii) Significant expenditures. - In the case of facilities the original use of which commences with the taxpayer and with respect to which significant expenditures are made before January 1, 1983, the amendments made by this section shall not apply with respect to such facilities to the extent such facilities are financed by the proceeds of an obligation issued solely to refund another obligation which was issued before July 1, 1982.

In the case of an inducement resolution adopted by an issuing authority before July 1, 1982, for purposes of applying subparagraphs (A)(i) and (B)(ii) with respect to obligations described in such resolution, the term 'facilities' means the facilities described in such resolution.

'(3) Certain projects for residential real property. - For purposes of clause (i) of section 168(f)(12)(C) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as added by this section), any obligation issued to finance a project described in the table contained in paragraph (1) of section 1104(n) of the Mortgage Subsidy Bond Tax Act of 1980 (section 1104(n) of Pub. L. 96-499, set out as a note under section 103A of this title) shall be treated as an obligation described in section 103(b)(4)(A) of the Internal Revenue Code of 1986.'

Amendment by section 224(c)(1), (2) of Pub. L. 97-248 to apply to any target corporation, within the meaning of section 338 of this title,

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with respect to which the acquisition date, within the meaning of such section, occurs after Aug. 31, 1982, and also to apply to certain acquisitions before September 1, 1982, but not to apply in the case of certain acquisitions of financial institutions, see section 224(d) of Pub. L. 97-248, set out as an Effective Date note under section 338 of this title.

EFFECTIVE DATE

Section 209(a)-(c) of Pub. L. 97-34, as amended by Pub. L. 97-448, title I, Sec. 102(d)(1), (g), Jan. 12, 1983, 96 Stat. 2370; Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

(a) General Rule. - Except as otherwise provided in this section, the amendments made by this subtitle (subtitle A (Sec. 201-209) of title II of Pub. L. 97-34, enacting this section, amending sections 44E, 46, 50A, 53, 57, 167, 172, 179, 263, 312, 381, 453, 812, 825, 964, 1033, 1245, and 1250 of this title, and enacting provisions set out as notes under sections 46, 167, and 168 of this title) shall apply to property placed in service after December 31, 1980, in taxable years ending after such date.

(b) Special Rule for RRB Property. - The amendment made by subsection (c) of section 203 (amending section 167 of this title and enacting provisions set out as notes under section 167 of this title) shall take effect on January 1, 1981, and shall apply with respect to taxable years ending after such date.

(c) Special Rule for Carryovers. -

(1)(A) Except as provided in subparagraph (B), the amendments made by subsections (a) and (b) of section 207 (amending sections 172, 812, and 825 of this title) shall apply to net operating losses in taxable years ending after December 31, 1975.

(B) The amendments made by subparagraph (B)(i) of section 207(a)(2) (amending section 172 of this title) shall take effect as if they had been included in the amendments made by section 1(a) of Public Law 96-595 (amending section 172 of this title); except that the amendments made by such subparagraph shall apply only to net operating losses in taxable years ending after December 31, 1972.

(C) If any net operating loss for any taxable year ending on or before December 31, 1975, could be a net operating loss carryover to a taxable year ending in 1981 by reason of subclause (II) of section 172(b)(1)(E)(ii) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (as in effect on the day before the date of the enactment of this Act (Aug. 13, 1981) and as modified by section 1(b) of Public Law 96-595 (set out as an Effective Date of 1980 Amendment note under section 172 of this title)), such net operating loss shall be a net operating loss carryover under section 172 of such Code to each of the 15 taxable years following the taxable year of such loss.

(2)(A) The amendments made by subsection (c)(1) of section 207 (amending sections 46 and 50A of this title) shall apply to unused credit years ending after December 31, 1973.

(B) The amendment made by subsection (c)(2) of section 207 (amending section 53 of this title) shall apply to unused credit years beginning after December 31, 1976.

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'(C) The amendments made by subsection (c)(3) of section 207 (amending section 44E of this title) shall apply to unused credit years ending after September 30, 1980.

'(3) Carryover must have been alive in 1981. - The amendments made by subsections (a), (b), and (c) of section 207 (amending sections 44E, 46, 50A, 53, 172, 812, and 825 of this title) shall not apply to any amount which, under the law in effect on the day before the date of the enactment of this Act (Aug. 13, 1981), could not be carried to a taxable year ending in 1981.'

SECTION 168(k)(6) SPECIAL RULE

Pub. L. 115-141, Div. U, Sec. 101(d)(3), provided:

"(3) For purposes of applying section 168(k) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of Public Law 115-97, with respect to property acquired before September 28, 2017, paragraph (6) thereof shall be treated as reading as follows (and as having been included in section 143 of the Protecting Americans from Tax Hikes Act of 2015):

"(6) PHASE-DOWN.—In the case of qualified property placed in service by the taxpayer after December 31, 2017 (December 31, 2018, in the case of property described in subparagraph (B) or (C) of paragraph (2)), paragraph (1)(A) shall be applied by substituting for '50 percent'—

"(A) '40 percent' in the case of—

"(i) property placed in service in 2018 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

"(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2019, and

"(B) '30 percent' in the case of—

"(i) property placed in service in 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

"(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2020."

SECTION 168(k)(7) SPECIAL RULE

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Pub. L. 115-141, Div. U, Sec. 101(d)(4), provided:

"(4) Section 168(k)(7) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of Public Law 115-97, shall be applied—

"(A) by substituting "paragraphs (1), (2)(F), and (4)" for "paragraphs (1) and (2)(F)", and

"(B) as if the application of such substitution had been included in section 143 of the Protecting Americans from Tax Hikes Act of 2015."

NORMALIZATION REQUIREMENTS

Pub. L. 115-97, Sec. 13001(d), provided:

"(d) NORMALIZATION REQUIREMENTS.—

"(1) IN GENERAL.—A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the 11 average rate assumption method.

"(2) ALTERNATIVE METHOD FOR CERTAIN TAXPAYERS.—If, as of the first day of the taxable year that includes the date of enactment of this Act—

"(A) the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method, and

"(B) the taxpayer's books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method, the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property that is subject to the regulatory authority of that jurisdiction.

"(3) DEFINITIONS.—For purposes of this subsection—

"(A) EXCESS TAX RESERVE.—The term "excess tax reserve" means the excess of—

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"(i) the reserve for deferred taxes (as described in section 168(i)(9)(A)(ii) of the Internal Revenue Code of 1986) as of the day before the corporate rate reductions provided in the amendments made by this section take effect, over

"(ii) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act were in effect for all prior periods.

(B) AVERAGE RATE ASSUMPTION METHOD.—The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, during the time period in which the timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying—

(i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by

(ii) the amount of the timing differences which reverse during such period.

"(C) ALTERNATIVE METHOD.—The 'alternative method' is the method in which the taxpayer—

"(i) computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and

"(ii) reduces the excess tax reserve ratably over the remaining regulatory life of the property.

"(4) TAX INCREASED FOR NORMALIZATION VIOLATION.—If, for any taxable year ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting for the corporate rate reductions provided in the amendments made by this section—

"(A) the taxpayer's tax for the taxable year shall be increased by the amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting, and

"(B) such taxpayer shall not be treated as using a normalization method of accounting for purposes of subsections (f)(2) and (i)(9)(C) of section 168 of the Internal Revenue Code of 1986."

DEPRECIATION STUDY

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"The Secretary of the Treasury (or the Secretary's delegate)--

"(1) shall conduct a comprehensive study of the recovery periods and depreciation methods under section 168 of the Internal Revenue Code of 1986, and

"(2) not later than March 31, 2000, shall submit the results of such study, together with recommendations for determining such periods and methods in a more rational manner, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate."

SAVINGS PROVISION

For provisions that nothing in amendment by Pub. L. 101-508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101-508, set out as a note under section 29 of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI (Sec. 1101-1147 and 1171-1177) or title XVIII (Sec. 1800-1899A) of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

TREATMENT OF CERTAIN FARM FINANCE LEASES

Section 1801(a)(2) of Pub. L. 99-514, as amended by Pub. L. 100-647, title I, Sec. 1018(a), Nov. 10, 1988, 102 Stat. 3577, provided that:

(A) In general. - If -

(i) any partnership or grantor trust is the lessor under a specified agreement,

(ii) such partnership or grantor trust met the requirements of section 168(f)(8)(C)(i) of the Internal Revenue Code of 1954 (relating to special rules for finance leases) when the agreement was entered into, and

(iii) a person became a partner in such partnership (or a beneficiary in such trust) after its formation but before September 26, 1985, then, for purposes of applying the revenue laws of the United States in respect to such agreement, the portion of the property allocable to partners (or beneficiaries) not described in clause (iii) shall be treated as if it were subject to a separate agreement and the portion of such

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property allocable to the partner or beneficiary described in clause (iii) shall be treated as if it were subject to a separate agreement.

'(B) Specified agreement. - For purposes of subparagraph (A), the term 'specified agreement' means an agreement to which subparagraph (B) of section 209(d)(1) of the Tax Equity and Fiscal Responsibility Act of 1982 (section 209(d)(1) of Pub. L. 97-248, set out as a note above) applies which is -

'(i) an agreement dated as of December 20, 1982, as amended and restated as of February 1, 1983, involving approximately \$8,734,000 of property at December 31, 1983,

'(ii) an agreement dated as of December 15, 1983, as amended and restated as of January 3, 1984, involving approximately \$13,199,000 of property at December 31, 1984, or

'(iii) an agreement dated as of October 25, 1984, as amended and restated as of December 1, 1984, involving approximately \$966,000 of property at December 31, 1984.'

CERTAIN RESIDENTIAL REAL PROPERTY TREATED AS RESIDENTIAL RENTAL PROPERTY

Section 1809(a)(4)(C) of Pub. L. 99-514 provided that: 'Any property described in paragraph (3) of section 631(d) of the Tax Reform Act of 1984 (section 631(d) of Pub. L. 99-369, set out as a note under section 103 of this title) shall be treated as property described in clause (ii) of section 168(f)(12)(C) of the Internal Revenue Code of 1954 (now 1986) as amended by subparagraph (B).'

COORDINATION WITH IMPUTED INTEREST CHANGES

Section 1809(a)(5) of Pub. L. 99-514 provided that: 'In the case of any property placed in service before May 9, 1985 (or treated as placed in service before such date by section 105(b)(3) of Public Law 99-121 (set out as a note above)) -

'(A) any reference in any amendment made by this subsection (amending sections 57, 168, and 312 of this title) to 19-year real property shall be treated as a reference to 18-year real property, and

'(B) section 168(f)(12)(B)(ii) of the Internal Revenue Code of 1954 (now 1986) (as amended by paragraph (4)(A)) shall be applied by substituting '18 years' for '19 years'.'

TERMINATION OF SAFE HARBOR LEASING RULES

Section 12(b) of Pub. L. 98-369, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that: 'Paragraph (8) of section 168(f) of the Internal Revenue Code of 1986 (formerly I.R.C. 1954) (relating to special rules for leasing), as in effect after the

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amendments made by section 208 of the Tax Equity and Fiscal Responsibility Act of 1982 (Pub. L. 97-248) but before the amendments made by section 209 of such Act, shall not apply to agreements entered into after December 31, 1983. The preceding sentence shall not apply to property described in paragraph (3)(G) or (5) of section 208(d) of such Act (set out as an Effective Date of 1982 Amendments note above).'

TRANSITIONAL RULES FOR 1984 AMENDMENT

Section 12(c) of Pub. L. 98-369, as amended by Pub. L. 99-514, Sec. 2, title XVIII, Sec. 1801(a)(1), Oct. 22, 1986, 100 Stat. 2095, 2785; Pub. L. 100-647, title I, Sec. 1002(d)(7)(B), Nov. 10, 1988, 102 Stat. 3360, provided that:

'(1) In general. - The amendments made by subsection (a) (amending this section and section 208(d) of Pub. L. 97-248, set out as an Effective Date of 1982 Amendments note above) shall not apply with respect to any property if -

'(A) a binding contract to acquire or to construct such property was entered into by or for the lessee before March 7, 1984, or

'(B) such property was acquired by the lessee, or the construction of such property was begun, by or for the lessee, before March 7, 1984.

The preceding sentence shall not apply to any property with respect to which an election is made under this sentence at such time after the date of the enactment of the Tax Reform Act of 1986 (Oct. 22, 1986) as the Secretary of the Treasury or his delegate may prescribe.

'(2) Special rule for certain automotive property. -

'(A) In general. - The amendments made by subsection (a) shall not apply to property -

'(i) which is automotive manufacturing property, and

'(ii) with respect to which the lessee is a qualified lessee (within the meaning of section 208(d)(6) of the Tax Equity and Fiscal Responsibility Act of 1982) (Pub. L. 97-248, set out as an Effective Date of 1982 Amendments note above).

'(B) \$150,000,000 limitation. - The provisions of subparagraph (A) shall not apply to any agreement if the sum of -

'(i) the cost basis of the property subject to the agreement, plus

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'(ii) the cost basis of any property subject to an agreement to which subparagraph (A) previously applied and with respect to which the lessee was the lessee under the agreement described in clause (i) (or any related person within the meaning of section 168(e)(4)(D) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*)), exceeds \$150,000,000.

'(C) Automotive manufacturing property. - For purposes of this paragraph, the term 'automotive manufacturing property' means -

'(i) property used principally by the taxpayer directly in connection with the trade or business of the taxpayer of the manufacturing of automobiles or trucks (other than truck tractors) with a gross vehicle weight of 13,000 pounds or less,

'(ii) machinery, equipment, and special tools of the type included in former depreciation range guideline classes 37.11 and 37.12, and

'(iii) any special tools owned by the taxpayer which are used by a vendor solely for the production of component parts for sale to the taxpayer.

'(3) Special rule for certain cogeneration facilities. - The amendments made by subsection (a) shall not apply with respect to any property which is part of a coal-fired cogeneration facility -

'(A) for which an application for certification was filed with the Federal Energy Regulatory Commission on December 30, 1983,

'(B) for which an application for a construction permit was filed with a State environmental protection agency on February 20, 1984, and

'(C) which is placed in service before January 1, 1988.'

SPECIAL LEASING RULE REGARDING COAL GASIFICATION FACILITIES

Section 1067(b) of Pub. L. 98-369, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that: 'The amount of any recapture under section 47 of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) with respect to the credit allowed under section 38 of such Code with respect to progress expenditures (within the meaning of section 46(d) of such Code) shall apply only to the percentage of the cost basis of the coal gasification facility to which the amendment made by subsection (a) (amending section 208(d) of Pub. L. 97-248, set out as an Effective Date of 1982 Amendments note above) applies.'

CERTAIN LEASES BEFORE OCTOBER 20, 1981, TREATED AS QUALIFIED LEASES

Section 208(c) of Pub. L. 97-248, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that: 'Nothing in paragraph (8) of section 168(f) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*), or in any regulations prescribed thereunder, shall be treated as making such paragraph inapplicable to any agreement entered into before October 20, 1981, solely because under

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such agreement 1 party to such agreement is entitled to the credit allowable under section 38 of such Code with respect to property and another party to such agreement is entitled to the deduction allowable under section 168 of such Code with respect to such property. Section 168(f)(8)(B)(ii) of such Code shall not apply to the party entitled to such credit.'

MOTOR VEHICLE OPERATING LEASES

Section 210 of Pub. L. 97-248, as amended by Pub. L. 98-369, div. A, title I, Sec. 32(b), title VII, Sec. 712(d), July 18, 1984, 98 Stat. 531, 947; Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

'(a) In general. - In the case of any qualified motor vehicle agreement entered into on or before the 90th day after the date of the enactment of the Tax Reform Act of 1984 (July 18, 1984), the fact that such agreement contains a terminal rental adjustment clause shall not be taken into account in determining whether such agreement is a lease.

'(b) Definitions. - For purposes of this section -

'(1) Qualified motor vehicle agreement. - The term 'qualified motor vehicle agreement' means any agreement with respect to a motor vehicle (including a trailer) -

'(A) which was entered into before -

'(i) the enactment of any law, or

'(ii) the publication by the Secretary of the Treasury or his delegate of any regulation, which provides that any agreement with a terminal rental adjustment clause is not a lease,

'(B) with respect to which the lessor under the agreement -

'(i) is personally liable for the repayment of, or

'(ii) has pledged property (but only to the extent of the net fair market value of the lessor's interest in such property), other than property subject to the agreement or property directly or indirectly financed by indebtedness secured by property subject to the agreement, as security for, all amounts borrowed to finance the acquisition of property subject to the agreement, and

'(C) with respect to which the lessee under the agreement uses the property subject to the agreement in a trade or business or for the production of income.

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'(2) Terminal rental adjustment clause. - The term 'terminal rental adjustment clause' means a provision of an agreement which permits or requires the rental price to be adjusted upward or downward by reference to the amount realized by the lessor under the agreement upon sale or other disposition of such property. Such term also includes a provision of an agreement which requires a lessee who is a dealer in motor vehicles to purchase the motor vehicle for a predetermined price and then resell such vehicle where such provision achieves substantially the same results as a provision described in the preceding sentence.

'(c) Exception Where Lessee Took Position on Return. - Subsection (a) shall not apply to deny a deduction for interest paid or accrued claimed by a lessee with respect to a qualified motor vehicle agreement on a return of tax imposed by chapter 1 of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) which was filed before the date of the enactment of this Act (Sept. 3, 1982) or to deny a credit for investment in depreciable property claimed by the lessee on such a return pursuant to an agreement with the lessor that the lessor would not claim the credit.'

INFORMATION RETURNS WITH RESPECT TO SAFE HARBOR LEASES

Pub. L. 97-119, title I, Sec. 112, Dec. 29, 1981, 95 Stat. 1640, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

'(a) Requirement of Return. -

'(1) In general. - Except as provided in paragraph (2), paragraph (8) of section 168(f) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) (relating to special rule for leases) shall not apply with respect to an agreement unless a return, signed by the lessor and lessee and containing the information required to be included in the return pursuant to subsection (b), has been filed with the Internal Revenue Service not later than the 30th day after the date on which the agreement is executed.

'(2) Special rules for agreements executed before January 1, 1982. -

'(A) In general. - In the case of an agreement executed before January 1, 1982, such agreement shall cease on February 1, 1982, to be treated as a lease under section 168(f)(8) unless a return, signed by the lessor and containing the information required to be included in subsection (b), has been filed with the Internal Revenue Service not later than January 31, 1982.

'(B) Filing by lessee. - If the lessor does not file a return under subparagraph (A), the return requirement under subparagraph (A) shall be satisfied if such return is filed by the lessee before January 31, 1982.

'(3) Certain failure to file. - If -

'(A) a lessor or lessee fails to file any return within the time prescribed by this subsection, and

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'(B) such failure is shown to be due to reasonable cause and not due to willful neglect, the lessor or lessee shall be treated as having filed a timely return if a return is filed within a reasonable time after the failure is ascertained.

'(b) Information Required. - The information required to be included in the return pursuant to this subsection is as follows:

'(1) The name, address, and taxpayer identifying number of the lessor and the lessee (and parent company if a consolidated return is filed);

'(2) The district director's office with which the income tax returns of the lessor and lessee are filed;

'(3) A description of each individual property with respect to which the election is made;

'(4) The date on which the lessee places the property in service, the date on which the lease begins and the term of the lease;

'(5) The recovery property class and the ADR midpoint life of the leased property;

'(6) The payment terms between the parties to the lease transaction;

'(7) Whether the ACRS deductions and the investment tax credit are allowable to the same taxpayer;

'(8) The aggregate amount paid to outside parties to arrange or carry out the transaction;

'(9) For the lessor only: the unadjusted basis of the property as defined in section 168(d)(1);

'(10) For the lessor only: if the lessor is a partnership or a grantor trust, the name, address, and taxpayer identifying number of the partners or the beneficiaries, and the district director's office with which the income tax return of each partner or beneficiary is filed; and

'(11) Such other information as may be required by the return or its instructions.

Paragraph (8) shall not apply with respect to any person for any calendar year if it is reasonable to estimate that the aggregate adjusted basis of the property of such person which will be subject to subsection (a) for such year is \$1,000,000 or less.

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'(c) Coordination With Other Information Requirements. - In the case of agreements executed after December 31, 1982, to the extent provided in regulations prescribed by the Secretary of the Treasury or his delegate, the provisions of this section shall be modified to coordinate such provisions with the other information requirements of the Internal Revenue Code of 1986.'

REGULATED PUBLIC UTILITIES; SPECIAL TRANSITIONAL RULE FOR NORMALIZATION REQUIREMENTS

Section 209(d)(1) of Pub. L. 97-34, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that: 'If, by the terms of the applicable rate order last entered before the date of the enactment of this Act (Aug. 13, 1981) by a regulatory commission having appropriate jurisdiction, a regulated public utility would (but for this provision) fail to meet the requirements of section 168(e)(3) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) with respect to property because, for an accounting period ending after December 31, 1980, such public utility used a method of accounting other than a normalization method of accounting, such regulated public utility shall not fail to meet such requirements if, by the terms of its first rate order determining cost of service with respect to such property which becomes effective after the date of the enactment of this Act and on or before January 1, 1983, such regulated public utility uses a normalization method of accounting. This provision shall not apply to any rate order which, under the rules in effect before the date of the enactment of this Act, required a regulated public utility to use a method of accounting with respect to the deduction allowable by section 167 which, under section 167(l), it was not permitted to use.'

INTERIM REGULATIONS WITH RESPECT TO NORMALIZATION; AUTHORITY TO PRESCRIBE

Section 209(d)(4) of Pub. L. 97-34, as amended by Pub. L. 99-514, Sec. 2, Oct. 22, 1986, 100 Stat. 2095, provided that: 'Until Congress acts further, the Secretary of the Treasury or his delegate may prescribe such interim regulations as may be necessary or appropriate to determine whether the requirements of section 168(e)(3)(B) of the Internal Revenue Code of 1986 (formerly *I.R.C. 1954*) have been met with respect to property placed in service after December 31, 1980.'

PRIOR PROVISIONS

A prior section 168, acts Aug. 16, 1954, ch. 746, *68A Stat. 52*; Aug. 26, 1957, Pub. L. 85-165, Sec. 4, 71 Stat. 414; Sept. 2, 1958, Pub. L. 85-866, title I, Sec. 9(a), (b), 72 Stat. 1608, 1609, which related to deductions with respect to amortization of emergency facilities, was repealed by Pub. L. 94-455, title XIX, Sec. 1951(b)(4)(A), Oct. 4, 1976, 90 Stat. 1837.

Section 1951(b)(4)(B) of Pub. L. 94-455 provided that: 'Notwithstanding the repeal made by subparagraph (A) (repealing former section 168), if a certificate was issued before January 1, 1960, with respect to an emergency facility which is or has been placed in service before the date of the enactment of this Act (Oct. 4, 1976), the provisions of (former) section 168 shall not, with respect to such facility, be considered repealed. The benefit of deductions by reason of the preceding sentence shall be allowed to estates and trusts in the same manner as in the case of an individual. The allowable deduction shall be apportioned between the income beneficiaries and the fiduciary in accordance with regulations prescribed under section 642(f).'

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General Information

Currency

Citation

I.R.C. § 168

Internal Revenue Code, § 163. Interest

I.R.C. § 163(j)(4)(C)(i)(II) — the amount (if any) by which the business interest of the partnership, reduced by the floor plan financing interest, exceeds the business interest income of the partnership, bears to

I.R.C. § 163(j)(4)(C)(ii) — the amount determined for the partnership under paragraph (1)(B).

I.R.C. § 163(j)(4)(D) **Application To S Corporations** — Rules similar to the rules of subparagraphs (A) and (C) shall apply with respect to any S corporation and its shareholders.

I.R.C. § 163(j)(5) **Business Interest** — For purposes of this subsection, the term “business interest” means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

I.R.C. § 163(j)(6) **Business Interest Income** — For purposes of this subsection, the term “business interest income” means the amount of interest includible in the gross income of the taxpayer for the taxable year which is properly allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)).

I.R.C. § 163(j)(7) **Trade or Business** — For purposes of this subsection—

I.R.C. § 163(j)(7)(A) **In General** — The term “trade or business” shall not include—

I.R.C. § 163(j)(7)(A)(i) — the trade or business of performing services as an employee,

I.R.C. § 163(j)(7)(A)(ii) — any electing real property trade or business,

I.R.C. § 163(j)(7)(A)(iii) — any electing farming business, or

I.R.C. § 163(j)(7)(A)(iv) — the trade or business of the furnishing or sale of—

I.R.C. § 163(j)(7)(A)(iv)(I) — electrical energy, water, or sewage disposal services,

I.R.C. § 163(j)(7)(A)(iv)(II) — gas or steam through a local distribution system, or

I.R.C. § 163(j)(7)(A)(iv)(III) — transportation of gas or steam by pipeline,

if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, by a public service or public utility commission or other similar body of any State or political subdivision thereof, or by the governing or ratemaking body of an electric cooperative.

I.R.C. § 163(j)(7)(B) **Electing Real Property Trade Or Business** — For purposes of this paragraph, the term “electing real property trade or business” means any trade or business which is described in section 469(c)(7)(C) and which makes an election under this subparagraph. Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.



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CASE NO. 2018-00281
ATTACHMENT 3
TO STAFF DR NO. 3-23

[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-104397-18]

RIN 1545-BO74

Additional First Year Depreciation Deduction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations that provide guidance regarding the additional first year depreciation deduction under section 168(k) of the Internal Revenue Code (Code). These proposed regulations reflect changes made by the Tax Cuts and Jobs Act. These proposed regulations affect taxpayers who deduct depreciation for qualified property acquired and placed in service after September 27, 2017.

DATES: Written or electronic comments and requests for a public hearing must be received by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-104397-18), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-104397-18), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20224, or sent electronically via the Federal eRulemaking Portal at <http://www.regulations.gov> (IRS REG-104397-18).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Elizabeth R. Binder, (202) 317-7005; concerning submissions of comments or requests for a public hearing, Regina L. Johnson, (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document contains proposed amendments to 26 CFR part 1 under section 168(k). Section 168(k) was added to the Code by section 101 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147 (116 Stat. 21). Section 168(k) allows an additional first year depreciation deduction in the placed-in-service year of qualified property. Subsequent amendments to section 168(k) increased the percentage of the additional first year depreciation deduction from 30 percent to 50 percent (to 100 percent for property acquired and placed in service after September 8, 2010, and generally before January 1, 2012), extended the placed-in-service date generally through December 31, 2019, and made other changes. See section 201 of the Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 (117 Stat. 752), sections 403 and 408 of the Working Families Tax Relief Act of 2004, Public Law 108-311 (118 Stat. 1166), sections 336 and 337 of the American Jobs Creation Act of 2004, Public Law 108-357 (118 Stat. 1418), sections 403 and 405 of the Gulf Opportunity Zone Act of 2005, Public Law 109-135 (119 Stat. 2577), section 103 of the Economic Stimulus Act of 2008, Public Law 110-185 (122 Stat. 613), section 3081 of the Housing Assistance Tax Act of 2008, Public Law 110-289 (122 Stat. 2654), section 1201 of the American Recovery and Reinvestment Tax Act of 2009, Public Law 111-5 (123 Stat. 115), section 2022 of the Small Business Jobs Act of 2010, Public Law 111-240 (124 Stat. 2504), section 401 of the Tax Relief, Unemployment Insurance

Reauthorization, and Job Creation Act of 2010, Public Law 111-312 (124 Stat. 3296), section 331 of the American Taxpayer Relief Act of 2012, Public Law 112-240 (126 Stat. 2313), sections 125, 202, 210, 212, and 214 of the Tax Increase Prevention Act of 2014, Public Law 113-295 (128 Stat. 4010), and section 143 of the Protecting Americans from Tax Hikes Act of 2015, enacted as Division Q of the Consolidated Appropriations Act, 2016, Public Law 114-113 (129 Stat. 2242).

On December 22, 2017, section 168(k) and related provisions were amended by sections 12001(b)(13), 13201, and 13204 of the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054) (the "Act") to provide further changes to the additional first year depreciation deduction. Unless otherwise indicated, all references to section 168(k) hereinafter are references to section 168(k) as amended.

Section 167(a) allows as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business or of property held for the production of income. The depreciation deduction allowable for tangible depreciable property placed in service after 1986 generally is determined under the Modified Accelerated Cost Recovery System provided by section 168 (MACRS property). The depreciation deduction allowable for computer software that is placed in service after August 10, 1993, and is not an amortizable section 197 intangible, is determined under section 167(f)(1).

Section 168(k), prior to amendment by the Act, allowed an additional first year depreciation deduction for the placed-in-service year equal to 50 percent of the adjusted basis of qualified property. Qualified property was defined in part as property the original use of which begins with the taxpayer.

Section 13201 of the Act made several amendments to the allowance for additional first year depreciation deduction in section 168(k). For example, the additional first year depreciation deduction percentage is increased from 50 to 100 percent; the property eligible for the additional first year depreciation deduction is expanded to include certain used depreciable property and certain film, television, or live theatrical productions; the placed-in-service date is extended from before January 1, 2020, to before January 1, 2027 (from before January 1, 2021, to before January 1, 2028, for longer production period property or certain aircraft property described in section 168(k)(2)(B) or (C)); and the date on which a specified plant is planted or grafted by the taxpayer is extended from before January 1, 2020, to before January 1, 2027.

Section 168(k) allows a 100-percent additional first year depreciation deduction for qualified property acquired and placed in service after September 27, 2017, and placed in service before January 1, 2023 (before January 1, 2024, for longer production period property or certain aircraft property described in section 168(k)(2)(B) or (C)). If a taxpayer elects to apply section 168(k)(5), the 100-percent additional first year depreciation deduction also is allowed for a specified plant planted or grafted after September 27, 2017, and before January 1, 2023. The 100-percent additional first year depreciation deduction is decreased by 20 percent annually for qualified property placed in service, or a specified plant planted or grafted, after December 31, 2022 (after December 31, 2023, for longer production period property or certain aircraft property described in section 168(k)(2)(B) or (C)).

Section 168(k)(2)(A), as amended by the Act, defines "qualified property" as meaning, in general, property (1) to which section 168 applies that has a recovery

period of 20 years or less, which is computer software as defined in section 167(f)(1)(B) for which a deduction is allowable under section 167(a) without regard to section 168(k), which is water utility property, which is a qualified film or television production as defined in section 181(d) for which a deduction would have been allowable without regard to section 181(a)(2) or (g) or section 168(k), or which is a qualified live theatrical production as defined in section 181(e) for which a deduction would have been allowable without regard to section 181(a)(2) or (g) or section 168(k); (2) the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of section 168(k)(2)(E)(ii); and (3) which is placed in service by the taxpayer before January 1, 2027. Section 168(k)(2)(E)(ii) requires that the acquired property was not used by the taxpayer at any time prior to such acquisition and the acquisition of such property meets the requirements of section 179(d)(2)(A), (B), and (C) and section 179(d)(3).

However, section 168(k)(2)(D) provides that qualified property does not include any property to which the alternative depreciation system under section 168(g) applies, determined without regard to section 168(g)(7) (relating to election to have the alternative depreciation system apply), and after application of section 280F(b) (relating to listed property with limited business use).

Section 13201(h) of the Act provides the effective dates of the amendments to section 168(k) made by section 13201 of the Act. Except as provided in section 13201(h)(2) of the Act, section 13201(h)(1) of the Act provides that these amendments apply to property acquired and placed in service after September 27, 2017. However, property is not treated as acquired after the date on which a written binding contract is

entered into for such acquisition. Section 13201(h)(2) provides that the amendments apply to specified plants planted or grafted after September 27, 2017.

Additionally, section 12001(b)(13) of the Act repealed section 168(k)(4) (relating to the election to accelerate alternative minimum tax credits in lieu of the additional first year depreciation deduction) for taxable years beginning after December 31, 2017.

Further, section 13204(a)(4)(B)(ii) repealed section 168(k)(3) (relating to qualified improvement property) for property placed in service after December 31, 2017.

Explanation of Provisions

The proposed regulations describe and clarify the statutory requirements that must be met for depreciable property to qualify for the additional first year depreciation deduction provided by section 168(k). Further, the proposed regulations instruct taxpayers how to determine the additional first year depreciation deduction and the amount of depreciation otherwise allowable for this property. Because the Act made substantial amendments to section 168(k), the proposed regulations update existing regulations in §1.168(k)-1 by providing a new section at §1.168(k)-2 for property acquired and placed in service after September 27, 2017, and make conforming amendments to the existing regulations.

1. Eligibility Requirements for Additional First Year Depreciation Deduction

The proposed regulations follow section 168(k)(2), as amended by the Act, and section 13201(h) of the Act to provide that depreciable property must meet four requirements to be qualified property. These requirements are (1) the depreciable property must be of a specified type; (2) the original use of the depreciable property must commence with the taxpayer or used depreciable property must meet the

acquisition requirements of section 168(k)(2)(E)(ii); (3) the depreciable property must be placed in service by the taxpayer within a specified time period or must be planted or grafted by the taxpayer before a specified date; and (4) the depreciable property must be acquired by the taxpayer after September 27, 2017.

2. Property of a Specified Type

A. Property Eligible for the Additional First Year Depreciation Deduction

The proposed regulations follow the definition of qualified property in section 168(k)(2)(A)(i) and (k)(5) and provide that qualified property must be one of the following: (1) MACRS property that has a recovery period of 20 years or less; (2) computer software as defined in, and depreciated under, section 167(f)(1); (3) water utility property as defined in section 168(e)(5) and depreciated under section 168; (4) a qualified film or television production as defined in section 181(d) and for which a deduction would have been allowable under section 181 without regard to section 181(a)(2) and (g) or section 168(k); (5) a qualified live theatrical production as defined in section 181(e) and for which a deduction would have been allowable under section 181 without regard to section 181(a)(2) and (g) or section 168(k); or (6) a specified plant as defined in section 168(k)(5)(B) and for which the taxpayer has made an election to apply section 168(k)(5). Qualified improvement property acquired after September 27, 2017, and placed in service after September 27, 2017, and before January 1, 2018, also is qualified property.

For property placed in service after December 31, 2017, section 13204 of the Act amended section 168(e) to eliminate the 15-year MACRS property classification for qualified leasehold improvement property, qualified restaurant property, and qualified

retail improvement property, and amended section 168(k) to eliminate qualified improvement property as a specific category of qualified property. Because of the effective date of section 13204 of the Act (property placed in service after December 31, 2017), the proposed regulations provide that MACRS property with a recovery period of 20 years or less includes the following MACRS property that is acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer after September 27, 2017, and before January 1, 2018: (1) Qualified leasehold improvement property; (2) qualified restaurant property that is qualified improvement property; and (3) qualified retail improvement property. For the same reason, the proposed regulations provide that qualified property includes qualified improvement property that is acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer after September 27, 2017, and before January 1, 2018. Further, to account for the statutory amendments to the definition of qualified improvement property made by the Act, the proposed regulations define qualified improvement property for purposes of section 168(k)(3) (before amendment by section 13204 of the Act) and section 168(e)(6) (as amended by section 13204 of the Act).

For purposes of determining the eligibility of MACRS property as qualified property, the proposed regulations retain the rule in §1.168(k)-1(b)(2)(i)(A) that the recovery period applicable for the MACRS property under section 168(c) of the general depreciation system (GDS) is used, regardless of any election made by the taxpayer to depreciate the class of property under the alternative depreciation system of section 168(g) (ADS).

B. Property Not Eligible for the Additional First Year Depreciation Deduction

The proposed regulations provide that qualified property does not include (1) property excluded from the application of section 168 as a result of section 168(f); (2) property that is required to be depreciated under the ADS (as described below); (3) any class of property for which the taxpayer elects not to deduct the additional first year depreciation under section 168(k)(7); (4) a specified plant placed in service by the taxpayer in the taxable year and for which the taxpayer made an election to apply section 168(k)(5) for a prior year under section 168(k)(5)(D); (5) any class of property for which the taxpayer elects to apply section 168(k)(4) (this exclusion applies to property placed in service in any taxable year beginning before January 1, 2018, because section 12001(b)(13) of the Act repealed section 168(k)(4) for taxable years beginning after December 31, 2017); or (6) property described in section 168(k)(9)(A) or ~~(B). Section 168(k)(9) provides that qualified property does not include (A) any property that is primarily used in a trade or business described in section 163(j)(7)(A)(iv), or (B) any property used in a trade or business that has had floor plan financing indebtedness (as defined in section 163(j)(9)) if the floor plan financing interest related to such indebtedness was taken into account under section 163(j)(1)(C). Section 163(j) applies to taxable years beginning after December 31, 2017. Accordingly, the exclusion of property described in section 168(k)(9) from the additional first year depreciation deduction applies to property placed in service in any taxable year beginning after December 31, 2017.~~

Property is required to be depreciated under the ADS if the property is described under section 168(g)(1)(A), (B), (C), (D), (F), or (G) or if other provisions of the Code require depreciation for the property to be determined under the ADS. Accordingly,

MACRS property that is nonresidential real property, residential rental property, and qualified improvement property held by an electing real property trade or business (as defined in section 163(j)(7)(B)), and property with a recovery period of 10 years or more that is held by an electing farming business (as defined in section 163(j)(7)(C)), are not eligible for the additional first year depreciation deduction for taxable years beginning after December 31, 2017. Pursuant to section 168(k)(2)(D), MACRS property for which the taxpayer makes an election under section 168(g)(7) to depreciate the property under the ADS is eligible for the additional first year depreciation deduction (assuming all other requirements are met).

C. Elections

The proposed regulations provide rules for making the election out of the additional first year depreciation deduction pursuant to section 168(k)(7) and for making the election to apply section 168(k)(5) to a specified plant. Additionally, the proposed regulations provide rules for making the election under section 168(k)(10) to deduct 50 percent, instead of 100 percent, additional first year depreciation for qualified property acquired after September 27, 2017, by the taxpayer and placed in service or planted or grafted, as applicable, by the taxpayer during its taxable year that includes September 28, 2017. Because section 168(k)(10) does not state that the election may be made "with respect to any class of property" as stated in section 168(k)(7) for making the election out of the additional first year depreciation deduction, the proposed regulations provide that the election under section 168(k)(10) applies to all qualified property.

3. New and Used Property

A. New Property

The proposed regulations generally retain the original use rules in §1.168(k)-1(b)(3). Pursuant to section 168(k)(2)(A)(ii), the proposed regulations do not provide any date by which the original use of the property must commence with the taxpayer. Because section 13201 of the Act removed the rules regarding sale-leaseback transactions, the proposed regulations also do not retain the original use rules in §1.168(k)-1(b)(3)(iii)(A) and (C) regarding such transactions, including a sale-leaseback transaction followed by a syndication transaction. The rule in the proposed regulations for syndication transactions involving new or used property is explained later in the preamble.

B. Used Property

Pursuant to section 168(k)(2)(A)(ii) and (k)(2)(E)(ii), the proposed regulations provide that the acquisition of used property is eligible for the additional first year depreciation deduction if such acquisition meets the following requirements: (1) The property was not used by the taxpayer or a predecessor at any time prior to the acquisition; (2) the acquisition of the property meets the related party and carryover basis requirements of section 179(d)(2)(A), (B), and (C) and §1.179-4(c)(1)(ii), (iii), and (iv), or (c)(2); and (3) the acquisition of the property meets the cost requirements of section 179(d)(3) and §1.179-4(d).

i. Section 336(e) Election

A section 338 election and a section 336(e) election share many of the same characteristics. Therefore, the proposed regulations modify §1.179-4(c)(2), which addresses the treatment of a section 338 election, to include property deemed to have been acquired by a new target corporation as a result of a section 336(e) election.

Section 1.336-1(a)(1) provides that to the extent not inconsistent with section 336(e) or the regulations under section 336(e), the principles of section 338 and the regulations under section 338 apply for purposes of the regulations under section 336. To the extent that property is deemed to have been acquired by a "new target corporation," the Treasury Department and the IRS read §1.179-4(c)(2), without modification, as applying to the deemed acquisition of property by a new target corporation as a result of a section 336(e) election, just as it applies as the result of a section 338 election. However, to remove any doubt, the proposed regulations modify §1.179-4(c)(2) to provide that property deemed to have been acquired by a new target corporation as a result of a section 338 or a section 336(e) election will be considered acquired by purchase for purposes of section 179.

ii. Property Not Previously Used By The Taxpayer

The proposed regulations provide that the property is treated as used by the taxpayer or a predecessor at any time before its acquisition of the property only if the taxpayer or the predecessor had a depreciable interest in the property at any time before the acquisition, whether or not the taxpayer or the predecessor claimed depreciation deductions for the property. If a lessee has a depreciable interest in the improvements made to leased property and subsequently the lessee acquires the leased property of which the improvements are a part, the proposed regulations provide that the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3), of the acquired property that is eligible for the additional first year depreciation deduction, assuming all other requirements are met, does not include the unadjusted depreciable basis attributable to the improvements.

Further, if a taxpayer initially acquires a depreciable interest in a portion of the property and subsequently acquires an additional depreciable interest in the same property, the proposed regulations also provide that such additional depreciable interest is not treated as being previously used by the taxpayer. However, if a taxpayer holds a depreciable interest in a portion of the property, sells that portion or a part of that portion, and subsequently acquires a depreciable interest in another portion of the same property, the proposed regulations provide that the taxpayer will be treated as previously having a depreciable interest in the property up to the amount of the portion for which the taxpayer held a depreciable interest in the property before the sale.

The Treasury Department and the IRS request comments on whether a safe harbor should be provided on how many taxable years a taxpayer or a predecessor should look back to determine if the taxpayer or the predecessor previously had a depreciable interest in the property. Such comments should provide the number of taxable years recommended for the look-back period and the reasoning for such number.

iii. Rules Applying to Consolidated Groups

Members of a consolidated group generally are treated as separate taxpayers. See *Woolford Realty Co. v. Rose*, 286 U.S. 319, 328 (1932) (“[a] corporation does not cease to be [a taxpayer] by affiliating with another”). However, the Treasury Department and the IRS believe that the additional first year depreciation deduction should not be permitted to members of a consolidated group when property is disposed of by one member of a consolidated group outside the group and subsequently acquired by another member of the same group because permitting such a deduction would not

clearly reflect the group's income tax liability. See section 1502 (permitting consolidated group regulations different from the rules of chapter 1 of subtitle A of the Code otherwise applicable to separate corporations to clearly reflect the income tax liability of a consolidated group or each member of the group). To implement this position, these proposed regulations treat a member of a consolidated group as previously having a depreciable interest in all property in which the consolidated group is treated as previously having a depreciable interest. For purposes of this rule, a consolidated group will be treated as having a depreciable interest in property if any current or previous member of the group had a depreciable interest in the property while a member of the group.

The Treasury Department and the IRS also believe that the additional first year depreciation deduction should not be allowed when, as part of a series of related transactions, one or more members of a consolidated group acquire both the stock of a corporation that previously had a depreciable interest in the property and the property itself. Assume a corporation (the selling corporation) has a depreciable interest in property and sells it to an unrelated party. Subsequently, as part of a series of related transactions, a member of a consolidated group, unrelated to the selling corporation, acquires the property and either that member or a different member of the group acquires the stock of the selling corporation. In substance, the series of transactions is the same as if the selling corporation reacquired the property and then transferred it to another member of the group, in which case the additional first year depreciation deduction would not be allowed. Accordingly, these proposed regulations deny the deduction in such circumstances.

Additionally, if the acquisition of property is part of a series of related transactions that also includes one or more transactions in which the transferee of the property ceases to be a member of a consolidated group, then whether the taxpayer is a member of a consolidated group is tested immediately after the last transaction in the series.

iv. Series of Related Transactions

In determining whether property meets the requirements of section 168(k)(2)(E)(ii), the Treasury Department and the IRS believe that the ordering of steps, or the use of an unrelated intermediary, in a series of related transactions should not control. For example, if a father buys and places equipment in service for use in the father's trade or business and subsequently the father sells the equipment to his daughter for use in her trade or business, the father and daughter are related parties under section 179(d)(2)(A) and §1.179-4(c)(1)(ii) and therefore, the daughter's acquisition of the equipment is not eligible for the additional first year depreciation deduction. However, if in a series of related transactions, the father sells the equipment to an unrelated party and then the unrelated party sells the equipment to the father's daughter, the daughter's acquisition of the equipment from the unrelated party, absent the rule in the proposed regulations, is eligible for the additional first year depreciation deduction (assuming all other requirements are met). Thus, the proposed regulations provide that in the case of a series of related transactions, the transfer of the property will be treated as directly transferred from the original transferor to the ultimate transferee, and the relation between the original transferor and the ultimate transferee is tested immediately after the last transaction in the series.

C. Application to Partnerships

On September 8, 2003, the Treasury Department and the IRS published temporary regulations (T.D. 9091, 2003-2 C.B. 939) in the **Federal Register** (68 FR 52986) relating to the additional first year depreciation deduction provisions of sections 168(k) and 1400L(b) (before amendment by sections 403 and 408 of the Working Families Tax Relief Act of 2004). Those regulations provided that any increase in the basis of qualified property due to a section 754 election generally is not eligible for the additional first year depreciation deduction. The preamble to those regulations explained that any increase in basis due to a section 754 election does not satisfy the original use requirement. The final regulations (T.D. 9283, 2006-2 C.B. 633, 642-43) published in the **Federal Register** on August 31, 2006 (71 FR 51738) retained the rule for increases in basis due to section 754 elections at §1.168(k)-1(f)(9). Because the Act amended section 168(k) to allow the additional first year depreciation deduction for certain used property in addition to new property, the Treasury Department and the IRS have reconsidered whether basis adjustments under sections 734(b) and 743(b) now qualify for the additional first year depreciation deduction. The Treasury Department and the IRS also have considered whether certain section 704(c) adjustments as well as the basis of distributed property determined under section 732 should qualify for the additional first year depreciation deduction.

i. Section 704(c) Remedial Allocations

Section 1.704-3(d)(2) provides, in part, that under the remedial allocation method, the portion of a partnership's book basis in contributed property that exceeds its adjusted tax basis is recovered using any recovery period and depreciation (or other

cost recovery) method available to the partnership for newly purchased property (of the same type as the contributed property) that is placed in service at the time of contribution. The proposed regulations provide that remedial allocations under section 704(c) do not qualify for the additional first year depreciation deduction under section 168(k).

Notwithstanding the language of §1.704-3(d)(2) that any method available to the partnership for newly purchased property may be used to recover the portion of the partnership's book basis in contributed property that exceeds its adjusted tax basis, remedial allocations do not meet the requirements of section 168(k)(2)(E)(ii). Because the underlying property is contributed to the partnership in a section 721 transaction, the partnership's basis in the property is determined by reference to the contributing partner's basis in the property, which violates sections 179(d)(2)(C) and 168(k)(2)(E)(ii)(II). In addition, the partnership has already had a depreciable interest in the contributed property at the time the remedial allocation is made, which is in violation of section 168(k)(2)(E)(ii)(I) as well as the original use requirement.

The same rule applies in the case of revaluations of partnership property (reverse section 704(c) allocations).

ii. Zero Basis Property

Section 1.704-1(b)(2)(iv)(g)(3) provides that, if partnership property has a zero adjusted tax basis, any reasonable method may be used to determine the book depreciation, depletion, or amortization of the property. The proposed regulations provide that the additional first year depreciation deduction under section 168(k) will not be allowed on property contributed to the partnership with a zero adjusted tax basis

because, with the additional first year depreciation deduction, the partners have the potential to shift built-in gain among partners.

iii. Basis Determined Under Section 732

Section 732(a)(1) provides that the basis of property (other than money) distributed by a partnership to a partner other than in liquidation of the partner's interest is its adjusted basis to the partnership immediately before the distribution. Section 732(a)(2) provides that the basis determined under section 732(a)(1) shall not exceed the adjusted basis of the partner's interest in the partnership reduced by any money distributed in the same transaction. Section 732(b) provides that the basis of property (other than money) distributed by a partnership to a partner in liquidation of the partner's interest is equal to the adjusted basis of the partner's interest in the partnership reduced by any money distributed in the same transaction.

Property distributed by a partnership to a partner fails to satisfy the original use requirement because the partnership used the property prior to the distribution. Distributed property also fails to satisfy the acquisition requirements of section 168(k)(2)(E)(ii)(II). Any portion of basis determined by section 732(a)(1) fails to satisfy section 179(d)(2)(C) because it is determined by reference to the partnership's basis in the distributed property. Similarly, any portion of basis determined by section 732(a)(2) or (b) fails to satisfy section 179(d)(3) because it is determined by reference to the distributee partner's basis in its partnership interest (reduced by any money distributed in the same transaction).

iv. Section 734(b) Adjustments

Section 734(b)(1) provides that, in the case of a distribution of property to a partner with respect to which a section 754 election is in effect (or when there is a substantial basis reduction under section 734(d)), the partnership will increase the adjusted basis of partnership property by the sum of (A) the amount of any gain recognized to the distributee partner under section 731(a)(1), and (B) in the case of distributed property to which section 732(a)(2) or (b) applies, the excess of the adjusted basis of the distributed property to the partnership immediately before the distribution (as adjusted by section 732(d)) over the basis of the distributed property to the distributee, as determined under section 732.

Because a section 734(b) basis adjustment is made to the basis of partnership property (i.e., non-partner specific basis) and the partnership used the property prior to the partnership distribution giving rise to the basis adjustment, a section 734(b) basis adjustment fails the original use clause in section 168(k)(2)(A)(ii) and also fails the used property requirement in section 168(k)(2)(E)(ii)(I). The proposed regulations therefore provide that section 734(b) basis adjustments are not eligible for the additional first year depreciation deduction.

v. Section 743(b) Adjustments

Section 743(b)(1) provides that, in the case of a transfer of a partnership interest, either by sale or exchange or as a result of the death of a partner, a partnership that has a section 754 election in effect (or if there is a substantial built-in loss immediately after such partnership interest transfer under section 743(d)), will increase the adjusted basis of partnership property by the excess of the transferee's basis in the transferred partnership interest over the transferee's share of the adjusted basis of partnership's

property. This increase is an adjustment to the basis of partnership property with respect to the transferee partner only and, therefore, is a partner specific basis adjustment to partnership property. The section 743(b) basis adjustment is allocated among partnership properties under section 755. As stated above, prior to the Act, a section 743(b) basis adjustment would always fail the original use requirement in section 168(k)(2)(A)(ii) because partnership property to which a section 743(b) basis adjustment relates would have been previously used by the partnership and its partners prior to the transfer that gave rise to the section 743(b) adjustment. After the Act, while a section 743(b) basis adjustment still fails the original use clause in section 168(k)(2)(A)(ii), a transaction giving rise to a section 743(b) basis adjustment may satisfy the used property clause in section 168(k)(2)(A)(ii) because of the used property acquisition requirements of section 168(k)(2)(E)(ii), depending on the facts and circumstances.

Because a section 743(b) basis adjustment is a partner specific basis adjustment to partnership property, the proposed regulations take an aggregate view and provide that, in determining whether a section 743(b) basis adjustment meets the used property acquisition requirements of section 168(k)(2)(E)(ii), each partner is treated as having owned and used the partner's proportionate share of partnership property. In the case of a transfer of a partnership interest, section 168(k)(2)(E)(ii)(I) will be satisfied if the partner acquiring the interest, or a predecessor of such partner, has not used the portion of the partnership property to which the section 743(b) basis adjustment relates at any time prior to the acquisition (that is, the transferee has not used the transferor's portion of partnership property prior to the acquisition), notwithstanding the fact that the

partnership itself has previously used the property. Similarly, for purposes of applying section 179(d)(2)(A), (B), and (C), the partner acquiring a partnership interest is treated as acquiring a portion of partnership property, and the partner who is transferring a partnership interest is treated as the person from whom the property is acquired.

For example, the relationship between the transferor partner and the transferee partner must not be a prohibited relationship under section 179(d)(2)(A). Also, the transferor partner and transferee partner may not be part of the same controlled group under section 179(d)(2)(B). Finally, the transferee partner's basis in the transferred partnership interest may not be determined in whole or in part by reference to the transferor's adjusted basis, or under section 1014.

The same result will apply regardless of whether the transferee partner is a new partner or an existing partner purchasing an additional partnership interest from another partner. Assuming that the transferor partner's specific interest in partnership property that is acquired by the transferee partner has not previously been used by the transferee partner or a predecessor, the corresponding section 743(b) basis adjustment will be eligible for the additional first year depreciation deduction in the hands of the transferee partner, provided all other requirements of section 168(k) are satisfied (and assuming §1.743-1(j)(4)(i)(B)(2) does not apply). This treatment is appropriate notwithstanding the fact that the transferee partner may have an existing interest in the underlying partnership property, because the transferee's existing interest in the underlying partnership property is distinct from the interest being transferred.

Finally, the proposed regulations provide that a section 743(b) basis adjustment in a class of property (not including the property class for section 743(b) basis

adjustments) may be recovered using the additional first year depreciation deduction under section 168(k) without regard to whether the partnership elects out of the additional first year depreciation deduction under section 168(k)(7) for all other qualified property in the same class of property and placed in service in the same taxable year. Similarly, a partnership may make the election out of the additional first year depreciation deduction under section 168(k)(7) for a section 743(b) basis adjustment in a class of property (not including the property class for section 743(b) basis adjustments), and this election will not bind the partnership to such election for all other qualified property of the partnership in the same class of property and placed in service in the same taxable year.

D. Syndication Transaction

The syndication transaction rule in the proposed regulations is based on the rules in section 168(k)(2)(E)(iii) for syndication transactions. For new or used property, the proposed regulations provide that if (1) a lessor has a depreciable interest in the property and the lessor and any predecessor did not previously have a depreciable interest in the property, (2) the property is sold by the lessor or any subsequent purchaser within three months after the date the property was originally placed in service by the lessor (or, in the case of multiple units of property subject to the same lease, within three months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and (3) the user (lessee) of the property after the last sale during the three-month period remains the same as when the property was originally placed in service by the lessor, then the purchaser of the property in the

last sale during the three-month period is considered the taxpayer that acquired the property and the taxpayer that originally placed the property in service, but not earlier than the date of the last sale. Thus, if a transaction is within the rules described above, the purchaser of the property in the last sale during the three-month period is eligible to claim the additional first year depreciation for the property (assuming all requirements are met), and the earlier purchasers of the property are not.

4. Placed-in-Service Date

The proposed regulations generally retain the placed-in-service date rules in §1.168(k)-1(b)(5). Pursuant to the effective date in section 13201(h) of the Act and section 168(k)(2)(A)(iii) and (k)(2)(B)(i)(II), the proposed regulations provide that qualified property must be placed in service by the taxpayer after September 27, 2017, and before January 1, 2027, or, in the case of property described in section 168(k)(2)(B) or (C), before January 1, 2028. Because section 13201 of the Act removed the rules regarding sale-leaseback transactions, the proposed regulations do not retain the placed-in-service date rules in §1.168(k)-1(b)(5)(ii)(A) and (C) regarding such transactions, including a sale-leaseback transaction followed by a syndication transaction.

Further, the proposed regulations provide rules for specified plants. Pursuant to section 168(k)(5)(A), if the taxpayer has made an election to apply section 168(k)(5) for a specified plant, the proposed regulations provide that the specified plant must be planted before January 1, 2027, or grafted before January 1, 2027, to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business, as defined in section 263A(e)(4).

Pursuant to section 168(k)(2)(H), the proposed regulations also provide that a qualified film or television production is treated as placed in service at the time of initial release or broadcast as defined under § 1.181-1(a)(7), and a qualified live theatrical production is treated as placed in service at the time of the initial live staged performance. The proposed regulations also provide that the initial live staged performance of a qualified live theatrical production is the first commercial exhibition of a production to an audience. An initial live staged performance does not include limited exhibition, prior to commercial exhibition to general audiences, if the limited exhibition is primarily for purposes of publicity, determining the need for further production activity, or raising funds for the completion of production. For example, the initial live staged performance does not include a preview of the production if the preview is primarily to determine the need for further production activity.

5. Date of Acquisition

The proposed regulations provide rules applicable to the acquisition requirements of the effective date under section 13201(h) of the Act. The proposed regulations provide that these rules apply to all property, including self-constructed property or property described in section 168(k)(2)(B) or (C).

A. Written Binding Contract

Pursuant to section 13201(h)(1)(A) of the Act, the proposed regulations provide that the property must be acquired by the taxpayer after September 27, 2017, or, acquired by the taxpayer pursuant to a written binding contract entered into by the taxpayer after September 27, 2017. Because of the clear language of section 13201(h)(1) of the Act regarding written binding contracts, the proposed regulations also

provide that property that is manufactured, constructed, or produced for the taxpayer by another person under a written binding contract that is entered into prior to the manufacture, construction, or production of the property for use by the taxpayer in its trade or business or for its production of income is acquired pursuant to a written binding contract. Further, if the written binding contract states the date on which the contract was entered into and a closing date, delivery date, or other similar date, the date on which the contract was entered into is the date the taxpayer acquired the property. The proposed regulations retain the rules in §1.168(k)-1(b)(4)(ii) defining a binding contract. Additionally, the proposed regulations provide that a letter of intent for an acquisition is not a binding contract.

B. Self-Constructed Property

If a taxpayer manufactures, constructs, or produces property for its own use, the Treasury Department and the IRS recognize that the written binding contract rule in section 13201(h)(1) of the Act does not apply. In such case, the proposed regulations provide that the acquisition rules in section 13201(h)(1) of the Act are treated as met if the taxpayer begins manufacturing, constructing, or producing the property after September 27, 2017. The proposed regulations provide rules similar to those in §1.168(k)-1(b)(4)(iii)(B) for defining when manufacturing, construction, or production begins, including the safe harbor, and in §1.168(k)-1(b)(4)(iii)(C) for a contract to acquire, or for the manufacture, construction, or production of, a component of the larger self-constructed property. As stated in the preceding paragraph, these self-constructed rules in the proposed regulations do not apply to property that is manufactured, constructed, or produced for the taxpayer by another person under a

written binding contract that is entered into prior to the manufacture, construction, or production of the property.

C. Qualified Film, Television, or Live Theatrical Productions

The proposed regulations also provide rules for qualified film, television, or live theatrical productions. For purposes of section 13201(h)(1)(A) of the Act, the proposed regulations provide that a qualified film or television production is treated as acquired on the date principal photography commences, and a qualified live theatrical production is treated as acquired on the date when all of the necessary elements for producing the live theatrical production are secured. These elements may include a script, financing, actors, set, scenic and costume designs, advertising agents, music, and lighting.

D. Specified Plants

Pursuant to section 13201(h)(2) of the Act, if the taxpayer makes an election to apply section 168(k)(5) for a specified plant, the proposed regulations provide that the specified plant must be planted after September 27, 2017, or grafted after September 27, 2017, to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business, as defined in section 263A(e)(4).

6. Longer Production Period Property or Certain Aircraft Property

The proposed regulations provide rules for determining when longer production period property or certain aircraft property described in section 168(k)(2)(B) or (C) meets the acquisition requirements of section 168(k)(2)(B)(i)(III) or (k)(2)(C)(i), as applicable. Pursuant to section 168(k)(2)(B)(i)(III) and (k)(2)(C)(i), the proposed regulations provide that property described in section 168(k)(2)(B) or (C) must be acquired by the taxpayer before January 1, 2027, or acquired by the taxpayer pursuant

to a written binding contract that is entered into before January 1, 2027. These acquisition requirements are in addition to those in section 13201(h)(1) of the Act, which require acquisition to occur after September 27, 2017.

The proposed regulations provide that the written binding contract rules for longer production period property and certain aircraft property are the same rules that apply for purposes of determining whether the acquisition requirements of section 13201(h)(1) of the Act are met.

With respect to self-constructed property described in section 168(k)(2)(B) or (C), the proposed regulations follow the acquisition rule in section 168(k)(2)(E)(i) for self-constructed property and provide that the acquisition requirements of section 168(k)(2)(B)(i)(III) or (k)(2)(C)(i), as applicable, are met if a taxpayer manufactures, constructs, or produces the property for its own use and such manufacturing, construction, or production begins before January 1, 2027. Further, only for purposes of section 168(k)(2)(B)(i)(III) and (k)(2)(C)(i), the proposed regulations provide that property that is manufactured, constructed, or produced for the taxpayer by another person under a written binding contract that is entered into prior to the manufacture, construction, or production of the property for use by the taxpayer in its trade or business or for its production of income is considered to be manufactured, constructed, or produced by the taxpayer. The proposed regulations also provide rules similar to those in §1.168(k)-1(b)(4)(iii)(B) for defining when manufacturing, construction, or production begins, including the same safe harbor, and in §1.168(k)-1(b)(4)(iii)(C) for a contract to acquire, or for the manufacture, construction, or production of, a component of the larger self-constructed property.

7. Computation of Additional First Year Depreciation Deduction and Otherwise

Allowable Depreciation

Pursuant to section 168(k)(1)(A), the proposed regulations provide that the allowable additional first year depreciation deduction for qualified property is equal to the applicable percentage (as defined in section 168(k)(6)) of the unadjusted depreciable basis (as defined in §1.168(b)-1(a)(3)) of the property. For qualified property described in section 168(k)(2)(B), the unadjusted depreciable basis (as defined in §1.168(b)-1(a)(3)) of the property is limited to the property's basis attributable to manufacture, construction, or production of the property before January 1, 2027, as provided in section 168(k)(2)(B)(ii).

Pursuant to section 168(k)(2)(G), the proposed regulations also provide that the additional first year depreciation deduction is allowed for both regular tax and alternative minimum tax (AMT) purposes. However, for AMT purposes, the amount of the additional first year depreciation deduction is based on the unadjusted depreciable basis of the property for AMT purposes. The amount of the additional first year depreciation deduction is not affected by a taxable year of less than 12 months for either regular or AMT purposes.

The proposed regulations provide rules similar to those in §1.168(k)-1(d)(2) for determining the amount of depreciation otherwise allowable for qualified property. That is, before determining the amount of depreciation otherwise allowable for qualified property, the proposed regulations require the taxpayer to first reduce the unadjusted depreciable basis (as defined in §1.168(b)-1(a)(3)) of the property by the amount of the additional first year depreciation deduction allowed or allowable, whichever is greater

(the remaining adjusted depreciable basis), as provided in section 168(k)(1)(B). Then, the remaining adjusted depreciable basis is depreciated using the applicable depreciation provisions of the Code for the property (for example, section 168 for MACRS property, section 167(f)(1) for computer software, and section 167 for film, television, or theatrical productions). This amount of depreciation is allowed for both regular tax and AMT purposes, and is affected by a taxable year of less than 12 months. However, for AMT purposes, the amount of depreciation allowed is determined by calculating the remaining adjusted depreciable basis of the property for AMT purposes and using the same depreciation method, recovery period, and convention that applies to the property for regular tax purposes. If a taxpayer uses the optional depreciation tables in Rev. Proc. 87-57 (1987-2 C.B. 687) to compute depreciation for qualified property that is MACRS property, the proposed regulations also provide that the remaining adjusted depreciable basis of the property is the basis to which the annual depreciation rates in those tables apply.

8. Special Rules

The proposed regulations also provide rules similar to those in §1.168(k)-1(f) for certain situations. However, the special rules in §1.168(k)-1(f)(9) regarding the increase in basis due to a section 754 election are addressed in the proposed regulations regarding the used property acquisition requirements. Further, the special rules in § 1.168(k)-1(f)(1)(iii) regarding property placed in service and transferred in a section 168(i)(7) transaction in the same taxable year, and in § 1.168(k)-1(f)(5) regarding like-kind exchanges or involuntary conversions, are updated to reflect the used property acquisition requirements in section 168(k)(2)(E)(ii). The special rules in the proposed

regulations also are updated to reflect the applicable dates under section 168(k), and the changes by the Act to technical terminations of partnerships and the rehabilitation credit.

The proposed regulations provide rules for the following situations: (1) Qualified property placed in service or planted or grafted, as applicable, and disposed of in the same taxable year; (2) redetermination of basis of qualified property; (3) recapture of additional first year depreciation for purposes of section 1245 and section 1250; (4) a certified pollution control facility that is qualified property; (5) like-kind exchanges and involuntary conversions of qualified property; (6) a change in use of qualified property; (7) the computation of earnings and profits; (8) the increase in the limitation of the amount of depreciation for passenger automobiles; (9) the rehabilitation credit under section 47; and (10) computation of depreciation for purposes of section 514(a)(3).

The proposed regulations provide a special rule for qualified property that is placed in service in a taxable year and then contributed to a partnership under section 721(a) in the same taxable year when one of the other partners previously had a depreciable interest in the property. Situation 1 of Rev. Rul. 99-5 (1999-1 C.B. 434) is an example of such a fact pattern. Under § 1.168(k)-1(f)(1)(iii) and its cross-reference to § 1.168(d)-1(b)(7)(ii), the additional first year depreciation deduction associated with the contributed property would be allocated between the contributing partner and the partnership based on the proportionate time the contributing partner and the partnership held the property throughout the taxable year. The partnership could then allocate a portion of the deduction to the partner with a previous depreciable interest in the property. The Treasury Department and the IRS believe that allocating any portion of

the deduction to a partner who previously had a depreciable interest in the property would be inconsistent with section 168(k)(2)(E)(ii)(I). Therefore, the proposed regulations provide that, in this situation, the additional first year depreciation deduction with respect to the contributed property is not allocated under the general rules of §1.168(d)-1(b)(7)(ii). Instead, the additional first year depreciation deduction is allocated entirely to the contributing partner prior to the section 721(a) transaction and not to the partnership.

With respect to like-kind exchanges and involuntary conversions, §1.168(k)-1(f)(5) provides that the exchanged basis and excess basis, if any, of the replacement property is eligible for the additional first year depreciation deduction if the replacement property is qualified property. The proposed regulations retain this rule if the replacement property also meets the original use requirement. Pursuant to section 168(k)(2)(E)(ii)(II) and its cross-reference to section 179(d)(3), the proposed regulations also provide that only the excess basis, if any, of the replacement property is eligible for the additional first year depreciation deduction if the replacement property is qualified property and also meets the used property acquisition requirements. These rules also apply when a taxpayer makes the election under § 1.168(i)-6(i)(1) to treat, for depreciation purposes only, the total of the exchanged basis and excess basis, if any, in the replacement MACRS property as property placed in service by the taxpayer at the time of replacement and the adjusted depreciable basis of the relinquished MACRS property as disposed of by the taxpayer at the time of disposition. The proposed regulations also retain the other rules in §1.168(k)-1(f)(5) for like-kind exchanges and involuntary conversions, but update the definitions to be consistent with the definitions

in § 1.168(i)-6, which addresses how to compute depreciation of property involved in like-kind exchanges or involuntary conversions.

Proposed Applicability Date

These regulations are proposed to apply to qualified property placed in service or planted or grafted, as applicable, by the taxpayer during or after the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. Pending the issuance of the final regulations, a taxpayer may choose to apply these proposed regulations to qualified property acquired and placed in service or planted or grafted, as applicable, after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017.

Special Analyses

The Administrator of the Office of Information and Regulatory Affairs (OIRA), Office of Management and Budget, has waived review of this proposed rule in accordance with section 6(a)(3)(A) of Executive Order 12866. OIRA will subsequently make a significance determination of the final rule, pursuant to section 3(f) of Executive Order (EO) 12866 and the April 11, 2018, Memorandum of Agreement between the Department of Treasury and the Office of Management and Budget (OMB).

The proposed regulations do not impose a collection of information on small entities and provide clarifying rules for taxpayers to enjoy the tax benefit of 100-percent additional first year depreciation as provided by the amendments to section 168 by the Act. Therefore, a regulatory flexibility analysis is not required under the Regulatory Flexibility Act (5 U.S.C. chapter 6). Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the

Small Business Administration for comment on its impact on small business.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department and the IRS request comments on all aspects of the proposed rules. All comments will be available at <http://www.regulations.gov> or upon request. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal authors of these proposed regulations are Kathleen Reed and Elizabeth R. Binder of the Office of Associate Chief Counsel (Income Tax and Accounting). However, other personnel from the Treasury Department and the IRS participated in their development.

Statement of Availability

The IRS Revenue Procedures and Revenue Rulings cited in this document are published in the Internal Revenue Bulletin (or Cumulative Bulletin) and are available from the Superintendent of Documents, U.S. Government Publishing Office, Washington, DC 20402, or by visiting the IRS website at <http://www.irs.gov>.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1--INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding an entry for §1.168(k)-2 in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Section 1.168(k)-2 also issued under 26 U.S.C. 1502.

Par. 2. Section 1.48-12 is amended by:

1. In the last sentence in paragraph (a)(2)(i), removing "The last sentence" and adding "The next to last sentence" in its place;
2. Adding two sentences at the end of paragraph (a)(2)(i); and
3. Adding a sentence to the end of paragraph (c)(8)(i).

The additions read as follows:

§1.48-12 Qualified rehabilitated building; expenditures incurred after December 31, 1981.

(a) * * *

(2) * * *

(i) * * * The last sentence of paragraph (c)(8)(i) of this section applies to qualified rehabilitation expenditures that are qualified property under section 168(k)(2) and placed in service by a taxpayer during or after the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a taxpayer may rely on the last sentence in paragraph

(c)(8)(i) of this section in these proposed regulations for qualified rehabilitation expenditures that are qualified property under section 168(k)(2) and acquired and placed in service after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

* * * * *

(c) * * *

(8) * * *

(i) * * * Further, see § 1.168(k)-2(f)(9) if the qualified rehabilitation expenditures are qualified property under section 168(k), as amended by the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)).

* * * * *

Par. 3. Section 1.167(a)-14 is amended by:

1. In the third sentence in paragraph (b)(1), removing "under section 168(k)(2) or §1.168(k)-1," and adding "under section 168(k)(2) and §1.168(k)-1 or 1.168(k)-2, as applicable," in its place;

2. In the last sentence in paragraph (e)(3), removing "and before 2010"; and

3. Adding two sentences at the end of paragraph (e)(3).

The addition reads as follows:

§1.167(a)-14 Treatment of certain intangible property excluded from section 197.

* * * * *

(e) * * *

(3) * * * The language “or §1.168(k)-2, as applicable,” in the third sentence in paragraph (b)(1) of this section applies to computer software that is qualified property under section 168(k)(2) and placed in service by a taxpayer during or after the taxpayer’s taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a taxpayer may rely on the language “or §1.168(k)-2, as applicable,” in the third sentence in paragraph (b)(1) of this section in these proposed regulations for computer software that is qualified property under section 168(k)(2) and acquired and placed in service after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer’s taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Par. 4. Section 1.168(b)-1 is amended by adding paragraph (a)(5) and revising paragraph (b) to read as follows:

§1.168(b)-1 Definitions.

(a) * * *

(5) Qualified improvement property--(i) Is any improvement that is section 1250 property to an interior portion of a building, as defined in §1.48-1(e)(1), that is nonresidential real property, as defined in section 168(e)(2)(B), if the improvement is placed in service by the taxpayer after the date the building was first placed in service by any person and if--

(A) For purposes of section 168(e)(6), the improvement is placed in service by the taxpayer after December 31, 2017;

(B) For purposes of section 168(k)(3) as in effect on the day before amendment by section 13204(a)(4)(B) of the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)) ("Act"), the improvement is acquired by the taxpayer before September 28, 2017, the improvement is placed in service by the taxpayer before January 1, 2018, and the improvement meets the original use requirement in section 168(k)(2)(A)(ii) as in effect on the day before amendment by section 13201(c)(1) of the Act; or

(C) For purposes of section 168(k)(3) as in effect on the day before amendment by section 13204(a)(4)(B) of the Act, the improvement is acquired by the taxpayer after September 27, 2017; the improvement is placed in service by the taxpayer after September 27, 2017, and before January 1, 2018; and the improvement meets the requirements in section 168(k)(2)(A)(ii) as amended by section 13201(c)(1) of the Act; and

(ii) Does not include any qualified improvement for which an expenditure is attributable to--

(A) The enlargement, as defined in §1.48-12(c)(10), of the building;

(B) Any elevator or escalator, as defined in §1.48-1(m)(2); or

(C) The internal structural framework, as defined in §1.48-12(b)(3)(iii), of the building.

(b) Effective date--(1) In general. Except as provided in paragraph (b)(2) of this section, this section is applicable on or after February 27, 2004.

(2) Application of paragraph (a)(5) of this section--(i) In general. Except as provided in paragraph (b)(2)(ii) of this section, paragraph (a)(5) of this section is

applicable on or after the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

(ii) Early application of paragraph (a)(5) of this section. A taxpayer may rely on the provisions of paragraph (a)(5) of this section in these proposed regulations for the taxpayer's taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Par. 5. Section 1.168(d)-1 is amended by:

1. Adding a sentence at the end of paragraph (b)(3)(ii);
2. Adding a sentence at the end of paragraph (b)(7)(ii); and
3. Adding two sentences at the end of paragraph (d)(2).

The additions read as follows:

§1.168(d)-1 Applicable conventions--half-year and mid-quarter conventions.

* * * * *

(b) * * *

(3) * * *

(ii) * * * Further, see §1.168(k)-2(f)(1) for rules relating to qualified property under section 168(k), as amended by the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)), that is placed in service by the taxpayer in the same taxable year in which either a partnership is terminated as a result of a technical termination under section 708(b)(1)(B) or the property is transferred in a transaction described in section 168(i)(7).

* * * * *

(7) * * *

(ii) * * * However, see §1.168(k)-2(f)(1)(iii) for a special rule regarding the allocation of the additional first year depreciation deduction in the case of certain contributions of property to a partnership under section 721.

* * * * *

(d) * * *

(2) * * * The last sentences in paragraphs (b)(3)(ii) and (b)(7)(ii) of this section apply to qualified property under section 168(k)(2) placed in service by a taxpayer during or after the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a taxpayer may rely on the last sentences in paragraphs (b)(3)(ii) and (b)(7)(ii) of this section in these proposed regulations for qualified property under section 168(k)(2) acquired and placed in service after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

* * * * *

Par. 6. Section 1.168(i)-4 is amended by:

1. In the penultimate sentence in paragraph (b)(1), removing “§§1.168(k)-1T(f)(6)(iii) and 1.1400L(b)-1T(f)(6)” and adding “§1.168(k)-1(f)(6)(iii) or 1.168(k)-2(f)(6)(iii), as applicable, and §1.1400L(b)-1(f)(6)” in its place;

2. In the fifth sentence in paragraph (c), removing “§§1.168(k)-1T(f)(6)(ii) and 1.1400L(b)-1T(f)(6)” and adding “§1.168(k)-1(f)(6)(ii) or 1.168(k)-2(f)(6)(ii), as applicable, and §1.1400L(b)-1(f)(6)” in its place;

3. In the second sentence in paragraph (d)(3)(i)(C), removing “§§1.168(k)-1T(f)(6)(iv) and 1.400L(b)-1T(f)(6)” and adding “§1.168(k)-1(f)(6)(iv) or 1.168(k)-2(f)(6)(iv), as applicable, and §1.400L(b)-1(f)(6)” in its place;

4. In the last sentence in paragraph (d)(4)(i), removing “§§1.168(k)-1T(f)(6)(iv) and 1.1400L(b)-1T(f)(6)” and adding “§1.168(k)-1(f)(6)(iv) or 1.168(k)-2(f)(6)(iv), as applicable, and §1.400L(b)-1(f)(6)” in its place;

5. Revising the first sentence in paragraph (g)(1); and

6. Redesignating paragraph (g)(2) as paragraph (g)(3) and adding new paragraph (g)(2).

The addition and revision read as follows:

§1.168(i)-4 Changes in use.

* * * * *

(g) * * *

(1) * * * Except as provided in paragraph (g)(2) of this section, this section applies to any change in the use of MACRS property in a taxable year ending on or after June 17, 2004. * * *

(2) Qualified property under section 168(k) acquired and placed in service after September 27, 2017. The language “or §1.168(k)-2(f)(6)(iii), as applicable” in paragraph (b)(1) of this section, the language “or §1.168(k)-2(f)(6)(ii), as applicable” in paragraph (c) of this section, and the language “or §1.168(k)-2(f)(6)(iv), as applicable” in

paragraphs (d)(3)(i)(C) and (d)(4)(i) of this section applies to any change in use of MACRS property, which is qualified property under section 168(k)(2), by a taxpayer during or after the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a taxpayer may rely on the language "or §1.168(k)-2(f)(6)(iii), as applicable" in paragraph (b)(1) of this section, the language "or §1.168(k)-2(f)(6)(ii), as applicable" in paragraph (c) of this section, and the language "or §1.168(k)-2(f)(6)(iv), as applicable" in paragraphs (d)(3)(i)(C) and (d)(4)(i) of this section in these proposed regulations for any change in use of MACRS property, which is qualified property under section 168(k)(2) and acquired and placed in service after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

* * * * *

Par. 7. Section 1.168(i)-6 is amended by:

1. In paragraph (d)(3)(ii)(B), removing "1.168(k)-1(f)(5) or §1.1400L(b)-1(f)(5)" wherever it appears and adding "1.168(k)-1(f)(5), 1.168(k)-2(f)(5), or 1.1400L(b)-1(f)(5)" in its place;
2. In paragraph (d)(3)(ii)(E), removing "1.168(k)-1(f)(5) or §1.1400L(b)-1(f)(5)" and adding "1.168(k)-1(f)(5), 1.168(k)-2(f)(5), or 1.1400L(b)-1(f)(5)" in its place;
3. Adding a sentence at the end of paragraph (d)(4);
4. Adding a sentence at the end of paragraph (h); and
5. Adding paragraph (k)(4).

The additions read as follows:

§1.168(i)-6 Like-kind exchanges and involuntary conversions.

* * * * *

(d) * * *

(4) * * * Further, see §1.168(k)-2(f)(5)(iv) for replacement MACRS property that is qualified property under section 168(k), as amended by the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)).

* * * * *

(h) * * * Further, see §1.168(k)-2(f)(5) for qualified property under section 168(k), as amended by the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)).

* * * * *

(k) * * *

(4) Qualified property under section 168(k) acquired and placed in service after September 27, 2017. The language "1.168(k)-2(f)(5)," in paragraphs (d)(3)(ii)(B) and (E) of this section and the last sentences in paragraphs (d)(4) and (h) of this section apply to a like-kind exchange or an involuntary conversion of MACRS property, which is qualified property under section 168(k)(2), for which the time of replacement occurs on or after the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a taxpayer may rely on the language "1.168(k)-2(f)(5)," in paragraphs (d)(3)(ii)(B) and (E) of this section and the last sentences in paragraphs (d)(4) and (h) of this section in these proposed regulations for a like-kind exchange or an involuntary conversion of MACRS property, which is qualified

property under section 168(k)(2), for which the time of replacement occurs on or after September 28, 2017, and occurs before the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Par. 8. Section 1.168(k)-0 is amended by revising the introductory text and adding an entry for §1.168(k)-2 in numerical order to the table of contents to read as follows:

§1.168(k)-0 Table of contents.

This section lists the major paragraphs contained in §§1.168(k)-1 and 1.168(k)-2.

* * * * *

§1.168(k)-2 Additional first year depreciation deduction for property acquired and placed in service after September 27, 2017.

- (a) Scope and definitions.
 - (1) Scope.
 - (2) Definitions.
- (b) Qualified property.
 - (1) In general.
 - (2) Description of qualified property.
 - (i) In general.
 - (ii) Property not eligible for additional first year depreciation deduction.
 - (3) Original use or used property acquisition requirements.
 - (i) In general.
 - (ii) Original use.
 - (A) In general.
 - (B) Conversion to business or income-producing use.
 - (C) Fractional interests in property.
 - (iii) Used property acquisition requirements.
 - (A) In general.
 - (B) Property was not used by the taxpayer at any time prior to acquisition.
 - (C) Special rules for a series of related transactions.
 - (iv) Application to partnerships.
 - (A) Section 704(c) remedial allocations.
 - (B) Basis determined under section 732.
 - (C) Section 734(b) adjustments.
 - (D) Section 743(b) adjustments.
 - (v) Syndication transaction.
 - (vi) Examples.

- (4) Placed-in-service date.
 - (i) In general.
 - (ii) Specified plant.
 - (iii) Qualified film, television, or live theatrical production.
 - (iv) Syndication transaction.
 - (v) Technical termination of a partnership.
 - (vi) Section 168(i)(7) transactions.
- (5) Acquisition of property.
 - (i) In general.
 - (ii) Acquisition date.
 - (iii) Definition of binding contract.
 - (A) In general.
 - (B) Conditions.
 - (C) Options.
 - (D) Letter of intent.
 - (E) Supply agreements.
 - (F) Components.
 - (iv) Self-constructed property.
 - (A) In general.
 - (B) When does manufacture, construction, or production begin.
 - (C) Components of self-constructed property.
 - (v) Qualified film, television, or live theatrical production.
 - (vi) Specified plant.
 - (vii) Examples.
- (c) Property described in section 168(k)(2)(B) or (C).
 - (1) In general.
 - (2) Definition of binding contract.
 - (3) Self-constructed property.
 - (i) In general.
 - (ii) When does manufacture, construction, or production begin.
 - (A) In general.
 - (B) Safe harbor.
 - (iii) Components of self-constructed property.
 - (A) Acquired components.
 - (B) Self-constructed components.
 - (iv) Examples.
 - (d) Computation of depreciation deduction for qualified property.
 - (1) Additional first year depreciation deduction.
 - (i) Allowable taxable year.
 - (ii) Computation.
 - (iii) Property described in section 168(k)(2)(B).
 - (iv) Alternative minimum tax.
 - (A) In general.
 - (B) Special rules.
 - (2) Otherwise allowable depreciation deduction.
 - (i) In general.

- (ii) Alternative minimum tax.
- (3) Examples.
- (e) Elections under section 168(k).
- (1) Election not to deduct additional first year depreciation.
 - (i) In general.
 - (ii) Definition of class of property.
 - (iii) Time and manner for making election.
 - (A) Time for making election.
 - (B) Manner of making election.
 - (iv) Failure to make election.
- (2) Election to apply section 168(k)(5) for specified plants.
 - (i) In general.
 - (ii) Time and manner for making election.
 - (A) Time for making election.
 - (B) Manner of making election.
 - (iii) Failure to make election.
- (3) Election for qualified property placed in service during the 2017 taxable year.
 - (i) In general.
 - (ii) Time and manner for making election.
 - (A) Time for making election.
 - (B) Manner of making election.
 - (iii) Failure to make election.
- (4) Alternative minimum tax.
- (5) Revocation of election.
 - (i) In general.
 - (ii) Automatic 6-month extension.
- (f) Special rules.
 - (1) Property placed in service and disposed of in the same taxable year.
 - (i) In general.
 - (ii) Technical termination of a partnership.
 - (iii) Section 168(i)(7) transactions.
 - (iv) Examples.
 - (2) Redetermination of basis.
 - (i) Increase in basis.
 - (ii) Decrease in basis.
 - (iii) Definitions.
 - (iv) Examples.
 - (3) Sections 1245 and 1250 depreciation recapture.
 - (4) Coordination with section 169.
 - (5) Like-kind exchanges and involuntary conversions.
 - (i) Scope.
 - (ii) Definitions.
 - (iii) Computation.
 - (A) In general.
 - (B) Year of disposition and year of replacement.
 - (C) Property described in section 168(k)(2)(B).

- (D) Effect of §1.168(i)-6(i)(1) election.
- (E) Alternative minimum tax.
- (iv) Replacement MACRS property or replacement computer software that is acquired and placed in service before disposition of relinquished MACRS property or relinquished computer software.
- (v) Examples.
- (6) Change in use.
 - (i) Change in use of depreciable property.
 - (ii) Conversion to personal use.
 - (iii) Conversion to business or income-producing use.
 - (A) During the same taxable year.
 - (B) Subsequent to the acquisition year.
 - (iv) Depreciable property changes use subsequent to the placed-in-service year.
 - (v) Examples.
- (7) Earnings and profits.
- (8) Limitation of amount of depreciation for certain passenger automobiles.
- (9) Coordination with section 47.
 - (i) In general.
 - (ii) Example.
- (10) Coordination with section 514(a)(3).
- (g) Applicability dates.
 - (1) In general.
 - (2) Early application.

Par. 9. Section 1.168(k)-2 is added to read as follows:

§1.168(k)-2 Additional first year depreciation deduction for property acquired and placed in service after September 27, 2017.

(a) Scope and definitions--(1) Scope. This section provides rules for determining the additional first year depreciation deduction allowable under section 168(k) for qualified property acquired and placed in service after September 27, 2017.

(2) Definitions. For purposes of this section--

(i) Act is the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)); and

(ii) Applicable percentage is the percentage provided in section 168(k)(6).

(b) Qualified property--(1) In general. Qualified property is depreciable property, as defined in §1.168(b)-1(a)(1), that meets all the following requirements in the first taxable year in which the property is subject to depreciation by the taxpayer whether or not depreciation deductions for the property are allowable:

(i) The requirements in §1.168(k)-2(b)(2) (description of qualified property);

(ii) The requirements in §1.168(k)-2(b)(3) (original use or used property acquisition requirements);

(iii) The requirements in §1.168(k)-2(b)(4) (placed-in-service date); and

(iv) The requirements in §1.168(k)-2(b)(5) (acquisition of property).

(2) Description of qualified property--(i) In general. Depreciable property will meet the requirements of this paragraph (b)(2) if the property is--

(A) MACRS property, as defined in §1.168(b)-1(a)(2), that has a recovery period of 20 years or less. For purposes of this paragraph (b)(2)(i)(A) and section 168(k)(2)(A)(i)(I), the recovery period is determined in accordance with section 168(c) regardless of any election made by the taxpayer under section 168(g)(7). This paragraph (b)(2)(i)(A) includes the following MACRS property that is acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer after September 27, 2017, and before January 1, 2018:

(1) Qualified leasehold improvement property as defined in section 168(e)(6) as in effect on the day before amendment by section 13204(a)(1) of the Act;

(2) Qualified restaurant property, as defined in section 168(e)(7) as in effect on the day before amendment by section 13204(a)(1) of the Act, that is qualified improvement property as defined in §1.168(b)-1(a)(5)(i)(C) and (a)(5)(ii); and

(3) Qualified retail improvement property as defined in section 168(e)(8) as in effect on the day before amendment by section 13204(a)(1) of the Act;

(B) Computer software as defined in, and depreciated under, section 167(f)(1) and the regulations under section 167(f)(1);

(C) Water utility property as defined in section 168(e)(5) and depreciated under section 168;

(D) Qualified improvement property as defined in §1.168(b)-1(a)(5)(i)(C) and (a)(5)(ii) and depreciated under section 168;

(E) Qualified film or television production, as defined in section 181(d) and §1.181-3, for which a deduction would have been allowable under section 181 without regard to section 181(a)(2) and (g), or section 168(k);

(F) Qualified live theatrical production, as defined in section 181(e), for which a deduction would have been allowable under section 181 without regard to section 181(a)(2) and (g), or section 168(k); or

(G) A specified plant, as defined in section 168(k)(5)(B), for which the taxpayer has properly made an election to apply section 168(k)(5) for the taxable year in which the specified plant is planted, or grafted to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business, as defined in section 263A(e)(4) (for further guidance, see paragraph (e) of this section).

(ii) Property not eligible for additional first year depreciation deduction.

Depreciable property will not meet the requirements of this paragraph (b)(2) if the property is--

(A) Described in section 168(f) (for example, automobiles for which the taxpayer uses the optional business standard mileage rate);

(B) Required to be depreciated under the alternative depreciation system of section 168(g) pursuant to section 168(g)(1)(A), (B), (C), (D), (F), or (G), or other provisions of the Internal Revenue Code (for example, property described in section 263A(e)(2)(A) if the taxpayer or any related person, as defined in section 263A(e)(2)(B), has made an election under section 263A(d)(3), or property described in section 280F(b)(1));

(C) Included in any class of property for which the taxpayer elects not to deduct the additional first year depreciation (for further guidance, see paragraph (e) of this section);

(D) A specified plant that is placed in service by the taxpayer during the taxable year and for which the taxpayer made an election to apply section 168(k)(5) for a prior taxable year;

(E) Included in any class of property for which the taxpayer elects to apply section 168(k)(4). This paragraph (b)(2)(ii)(E) applies to property placed in service in any taxable year beginning before January 1, 2018;

(F) Described in section 168(k)(9)(A) and placed in service in any taxable year beginning after December 31, 2017; or

(G) Described in section 168(k)(9)(B) and placed in service in any taxable year beginning after December 31, 2017.

(3) Original use or used property acquisition requirements--(i) In general.

Depreciable property will meet the requirements of this paragraph (b)(3) if the property

meets the original use requirements in paragraph (b)(3)(ii) of this section or if the property meets the used property acquisition requirements in paragraph (b)(3)(iii) of this section.

(ii) Original use--(A) In general. Depreciable property will meet the requirements of this paragraph (b)(3)(ii) if the original use of the property commences with the taxpayer. Except as provided in paragraphs (b)(3)(ii)(B) and (C) of this section, original use means the first use to which the property is put, whether or not that use corresponds to the use of the property by the taxpayer. Additional capital expenditures incurred by a taxpayer to recondition or rebuild property acquired or owned by the taxpayer satisfy the original use requirement. However, the cost of reconditioned or rebuilt property does not satisfy the original use requirement (but may satisfy the used property acquisition requirements in paragraph (b)(3)(iii) of this section). The question of whether property is reconditioned or rebuilt property is a question of fact. For purposes of this paragraph (b)(3)(ii)(A), property that contains used parts will not be treated as reconditioned or rebuilt if the cost of the used parts is not more than 20 percent of the total cost of the property, whether acquired or self-constructed.

(B) Conversion to business or income-producing use--(1) Personal use to business or income-producing use. If a taxpayer initially acquires new property for personal use and subsequently uses the property in the taxpayer's trade or business or for the taxpayer's production of income, the taxpayer is considered the original user of the property. If a person initially acquires new property for personal use and a taxpayer subsequently acquires the property from the person for use in the taxpayer's trade or

business or for the taxpayer's production of income, the taxpayer is not considered the original user of the property.

(2) Inventory to business or income-producing use. If a taxpayer initially acquires new property and holds the property primarily for sale to customers in the ordinary course of the taxpayer's business and subsequently withdraws the property from inventory and uses the property primarily in the taxpayer's trade or business or primarily for the taxpayer's production of income, the taxpayer is considered the original user of the property. If a person initially acquires new property and holds the property primarily for sale to customers in the ordinary course of the person's business and a taxpayer subsequently acquires the property from the person for use primarily in the taxpayer's trade or business or primarily for the taxpayer's production of income, the taxpayer is considered the original user of the property. For purposes of this paragraph (b)(3)(ii)(B)(2), the original use of the property by the taxpayer commences on the date on which the taxpayer uses the property primarily in the taxpayer's trade or business or primarily for the taxpayer's production of income.

(C) Fractional interests in property. If, in the ordinary course of its business, a taxpayer sells fractional interests in new property to third parties unrelated to the taxpayer, each first fractional owner of the property is considered as the original user of its proportionate share of the property. Furthermore, if the taxpayer uses the property before all of the fractional interests of the property are sold but the property continues to be held primarily for sale by the taxpayer, the original use of any fractional interest sold to a third party unrelated to the taxpayer subsequent to the taxpayer's use of the property begins with the first purchaser of that fractional interest. For purposes of this

paragraph (b)(3)(ii)(C), persons are not related if they do not have a relationship described in section 267(b) or 707(b) and the regulations under section 267(b) or 707(b).

(iii) Used property acquisition requirements--(A) In general. Depreciable property will meet the requirements of this paragraph (b)(3)(iii) if the acquisition of the used property meets the following requirements:

(1) Such property was not used by the taxpayer or a predecessor at any time prior to such acquisition;

(2) The acquisition of such property meets the requirements of section 179(d)(2)(A), (B), and (C), and §1.179-4(c)(1)(ii), (iii), and (iv), or 1.179-4(c)(2) (property is acquired by purchase); and

(3) The acquisition of such property meets the requirements of section 179(d)(3) and §1.179-4(d) (cost of property) (for further guidance regarding like-kind exchanges and involuntary conversions, see paragraph (f)(5) of this section).

(B) Property was not used by the taxpayer at any time prior to acquisition--(1) In general. Solely for purposes of paragraph (b)(3)(iii)(A)(1) of this section, the property is treated as used by the taxpayer or a predecessor at any time prior to acquisition by the taxpayer or predecessor if the taxpayer or the predecessor had a depreciable interest in the property at any time prior to such acquisition, whether or not the taxpayer or the predecessor claimed depreciation deductions for the property. If a lessee has a depreciable interest in the improvements made to leased property and subsequently the lessee acquires the leased property of which the improvements are a part, the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3), of the acquired property

that is eligible for the additional first year depreciation deduction, assuming all other requirements are met, must not include the unadjusted depreciable basis attributable to the improvements.

(2) Taxpayer has a depreciable interest in a portion of the property. If a taxpayer initially acquires a depreciable interest in a portion of the property and subsequently acquires a depreciable interest in an additional portion of the same property, such additional depreciable interest is not treated as used by the taxpayer at any time prior to its acquisition by the taxpayer. This paragraph (b)(3)(iii)(B)(2) does not apply if the taxpayer or a predecessor previously had a depreciable interest in the subsequently acquired additional portion. For purposes of this paragraph (b)(3)(iii)(B)(2), a portion of the property is considered to be the percentage interest in the property. If a taxpayer holds a depreciable interest in a portion of the property, sells that portion or a part of that portion, and subsequently acquires a depreciable interest in another portion of the same property, the taxpayer will be treated as previously having a depreciable interest in the property up to the amount of the portion for which the taxpayer held a depreciable interest in the property before the sale.

(3) Application to members of a consolidated group--(i) Same consolidated group. Solely for purposes of applying paragraph (b)(3)(iii)(A)(1) of this section, if a member of a consolidated group, as defined in §1.1502-1(h), acquires depreciable property in which the consolidated group had a depreciable interest at any time prior to the member's acquisition of the property, the member will be treated as having a depreciable interest in the property prior to the acquisition. For purposes of this paragraph (b)(3)(iii)(B)(3)(i), a consolidated group will be treated as having a

depreciable interest in property during the time any current or previous member of the group had a depreciable interest in the property while a member of the group.

(ii) Certain acquisitions pursuant to a series of related transactions. Solely for purposes of applying paragraph (b)(3)(iii)(A)(1) of this section, if a series of related transactions includes one or more transactions in which property is acquired by a member of a consolidated group and one or more transactions in which a corporation that had a depreciable interest in the property becomes a member of the group, the member that acquires the property will be treated as having a depreciable interest in the property prior to the time of its acquisition.

(iii) Time for testing membership. Solely for purposes of applying paragraph (b)(3)(iii)(B)(3)(i) and (ii) of this section, if a series of related transactions includes one or more transactions in which property is acquired by a member of a consolidated group and one or more transactions in which the transferee of the property ceases to be a member of a consolidated group, whether the taxpayer is a member of a consolidated group is tested immediately after the last transaction in the series.

(C) Special rules for a series of related transactions. Solely for purposes of section 168(k)(2)(E)(ii) and paragraph (b)(3)(iii)(A) of this section, in the case of a series of related transactions (for example, a series of related transactions including the transfer of a partnership interest, the transfer of partnership assets, or the disposition of property and the disposition, directly or indirectly, of the transferor or transferee of the property)--

(1) The property is treated as directly transferred from the original transferor to the ultimate transferee; and

(2) The relation between the original transferor and the ultimate transferee is tested immediately after the last transaction in the series.

(iv) Application to partnerships--(A) Section 704(c) remedial allocations.

Remedial allocations under section 704(c) do not satisfy the requirements of paragraph (b)(3) of this section. See §1.704-3(d)(2).

(B) Basis determined under section 732. Any basis of distributed property determined under section 732 does not satisfy the requirements of paragraph (b)(3) of this section.

(C) Section 734(b) adjustments. Any increase in basis of depreciable property under section 734(b) does not satisfy the requirements of paragraph (b)(3) of this section.

(D) Section 743(b) adjustments--(1) In general. For purposes of determining whether the transfer of a partnership interest meets the requirements of paragraph (b)(3)(iii)(A) of this section, each partner is treated as having a depreciable interest in the partner's proportionate share of partnership property. Any increase in basis of depreciable property under section 743(b) satisfies the requirements of paragraph (b)(3)(iii)(A) of this section if –

(i) At any time prior to the transfer of the partnership interest that gave rise to such basis increase, neither the transferee partner nor a predecessor of the transferee partner had any depreciable interest in the portion of the property deemed acquired to which the section 743(b) adjustment is allocated under section 755 and the regulations under section 755; and

(ii) The transfer of the partnership interest that gave rise to such basis increase satisfies the requirements of paragraphs (b)(3)(iii)(A)(2) and (3) of this section.

(2) Relatedness tested at partner level. Solely for purposes of paragraph (b)(3)(iv)(D)(1)(ii) of this section, whether the parties are related or unrelated is determined by comparing the transferor and the transferee of the transferred partnership interest.

(v) Syndication transaction. If a lessor has a depreciable interest in the property and the lessor and any predecessor did not previously have a depreciable interest in the property, and the property is sold by the lessor or any subsequent purchaser within three months after the date the property was originally placed in service by the lessor (or, in the case of multiple units of property subject to the same lease, within three months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and the user of the property after the last sale during the three-month period remains the same as when the property was originally placed in service by the lessor, the purchaser of the property in the last sale during the three-month period is considered the taxpayer that acquired the property for purposes of applying paragraphs (b)(3)(ii) and (iii) of this section.

(vi) Examples. The application of this paragraph (b)(3) is illustrated by the following examples. Unless the facts specifically indicate otherwise, assume that the parties are not related within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c), no corporation is a member of a consolidated or controlled group, and the parties do not have predecessors:

Example 1. (i) On August 1, 2018, A buys a new machine for \$35,000 from an unrelated party for use in A's trade or business. On July 1, 2020, B buys that machine from A for \$20,000 for use in B's trade or business. On October 1, 2020, B makes a \$5,000 capital expenditure to recondition the machine. B did not have any depreciable interest in the machine before B acquired it on July 1, 2020.

(ii) A's purchase price of \$35,000 satisfies the original use requirement of paragraph (b)(3)(ii) of this section and, assuming all other requirements are met, qualifies for the additional first year depreciation deduction.

(iii) B's purchase price of \$20,000 does not satisfy the original use requirement of paragraph (b)(3)(ii) of this section, but it does satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Assuming all other requirements are met, the \$20,000 purchase price qualifies for the additional first year depreciation deduction. Further, B's \$5,000 expenditure satisfies the original use requirement of paragraph (b)(3)(ii) of this section and, assuming all other requirements are met, qualifies for the additional first year depreciation deduction, regardless of whether the \$5,000 is added to the basis of the machine or is capitalized as a separate asset.

Example 2. C, an automobile dealer, uses some of its automobiles as demonstrators in order to show them to prospective customers. The automobiles that are used as demonstrators by C are held by C primarily for sale to customers in the ordinary course of its business. On November 1, 2017, D buys from C an automobile that was previously used as a demonstrator by C. D will use the automobile solely for business purposes. The use of the automobile by C as a demonstrator does not constitute a "use" for purposes of the original use requirement and, therefore, D will be considered the original user of the automobile for purposes of paragraph (b)(3)(ii) of this section. Assuming all other requirements are met, D's purchase price of the automobile qualifies for the additional first year depreciation deduction for D, subject to any limitation under section 280F.

Example 3. On April 1, 2015, E acquires a horse to be used in E's thoroughbred racing business. On October 1, 2018, F buys the horse from E and will use the horse in F's horse breeding business. F did not have any depreciable interest in the horse before F acquired it on October 1, 2018. The use of the horse by E in its racing business prevents E from satisfying the original use requirement of paragraph (b)(3)(ii) of this section. However, F's acquisition of the horse satisfies the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Assuming all other requirements are met, F's purchase price of the horse qualifies for the additional first year depreciation deduction for F.

Example 4. In the ordinary course of its business, G sells fractional interests in its aircraft to unrelated parties. G holds out for sale eight equal fractional interests in an aircraft. On October 1, 2017, G sells five of the eight fractional interests in the aircraft to H and H begins to use its proportionate share of the aircraft immediately upon purchase. On February 1, 2018, G sells to I the remaining unsold $\frac{3}{8}$ fractional interests

in the aircraft. H is considered the original user as to its $\frac{5}{8}$ fractional interest in the aircraft and J is considered the original user as to its $\frac{3}{8}$ fractional interest in the aircraft. Thus, assuming all other requirements are met, H's purchase price for its $\frac{5}{8}$ fractional interest in the aircraft qualifies for the additional first year depreciation deduction and I's purchase price for its $\frac{3}{8}$ fractional interest in the aircraft qualifies for the additional first year depreciation deduction.

Example 5. On September 1, 2017, J, an equipment dealer, buys new tractors that are held by J primarily for sale to customers in the ordinary course of its business. On October 15, 2017, J withdraws the tractors from inventory and begins to use the tractors primarily for producing rental income. The holding of the tractors by J as inventory does not constitute a "use" for purposes of the original use requirement and, therefore, the original use of the tractors commences with J on October 15, 2017, for purposes of paragraph (b)(3)(ii) of this section. However, the tractors are not eligible for the 100-percent additional first year depreciation deduction because J acquired the tractors before September 28, 2017.

Example 6. K is in the trade or business of leasing equipment to others. During 2016, K buys a new machine (Machine #1) and then leases it to L for use in L's trade or business. The lease between K and L for Machine #1 is a true lease for federal income tax purposes. During 2018, L enters into a written binding contract with K to buy Machine #1 at its fair market value on May 15, 2018. L did not have any depreciable interest in Machine #1 before L acquired it on May 15, 2018. As a result, L's acquisition of Machine #1 satisfies the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Assuming all other requirements are met, L's purchase price of Machine #1 qualifies for the additional first year depreciation deduction for L.

Example 7. The facts are the same as in Example 6 of this paragraph (b)(3)(vi), except that K and L are related parties within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c). As a result, L's acquisition of Machine #1 does not satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Thus, Machine #1 is not eligible for the additional first year depreciation deduction for L.

Example 8. The facts are the same as in Example 6 of this paragraph (b)(3)(vi), except L incurred capital expenditures of \$5,000 to improve Machine #1 on September 5, 2017, and has a depreciable interest in such improvements. L's purchase price of \$5,000 for the improvements to Machine #1 satisfies the original use requirement of §1.168(k)-1(b)(3)(i) and, assuming all other requirements are met, qualifies for the 50-percent additional first year depreciation deduction. Because L had a depreciable interest only in the improvements to Machine #1, L's acquisition of Machine #1, excluding L's improvements to such machine, satisfies the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Assuming all other requirements are met, L's unadjusted depreciable basis of Machine #1, excluding the amount of such unadjusted depreciable basis attributable to L's improvements to Machine #1, qualifies for the 100-percent additional first year depreciation deduction.

Example 9. During 2016, M and N purchased used equipment for use in their trades or businesses and each own a 50 percent interest in such equipment. Prior to this acquisition, M and N did not have any depreciable interest in the equipment. Assume this ownership arrangement is not a partnership. During 2018, N enters into a written binding contract with M to buy M's interest in the equipment. Pursuant to paragraph (b)(3)(iii)(B)(2) of this section, N is not treated as using M's interest in the equipment prior to N's acquisition of M's interest. As a result, N's acquisition of M's interest in the equipment satisfies the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Assuming all other requirements are met, N's purchase price of M's interest in the equipment qualifies for the additional first year depreciation deduction for N.

Example 10. The facts are the same as in Example 9 of this paragraph (b)(3)(vi), except N had a 100 percent depreciable interest in the equipment prior to 2016 and M purchased from N a 50 percent interest in the equipment during 2016. As a result, N's acquisition of M's interest in the equipment during 2018 does not satisfy the used property acquisition requirements of paragraphs (b)(3)(iii)(A)(1) and (b)(3)(iii)(B)(1) of this section. Paragraph (b)(3)(iii)(B)(2) of this section does not apply because N initially acquired a 100 percent depreciable interest in the equipment. Accordingly, N's purchase price of M's interest in the equipment during 2018 does not qualify for the additional first year depreciation deduction for N.

Example 11. The facts are the same as in Example 9 of this paragraph (b)(3)(vi), except during 2018, M also enters into a written binding contract with N to buy N's interest in the equipment. Pursuant to paragraph (b)(3)(iii)(B)(2) of this section, both M and N are treated as previously having a depreciable interest in a 50-percent portion of the equipment. Accordingly, the acquisition by M of N's 50-percent interest and the acquisition by N of M's 50-percent interest in the equipment during 2018 do not qualify for the additional first year depreciation deduction.

Example 12. O and P form an equal partnership, OP, in 2018. O contributes cash to OP, and P contributes equipment to OP. OP's basis in the equipment contributed by P is determined under section 723. Because OP's basis in such equipment is determined in whole or in part by reference to P's adjusted basis in such equipment, OP's acquisition of such equipment does not satisfy section 179(d)(2)(C) and §1.179-4(c)(1)(iv) and, thus, does not satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Accordingly, OP's acquisition of such equipment is not eligible for the additional first year depreciation deduction.

Example 13. Q, R, and S form an equal partnership, QRS, in 2019. Each partner contributes \$100, which QRS uses to purchase a retail motor fuels outlet for \$300. Assume this retail motor fuels outlet is QRS' only property and is qualified property under section 168(k)(2)(A)(i). QRS makes an election not to deduct the additional first year depreciation for all qualified property placed in service during 2019. QRS has a section 754 election in effect. QRS claimed depreciation of \$15 for the retail motor fuels outlet for 2019. During 2020, when the retail motor fuels outlet's fair market

value is \$600, Q sells all of his partnership interest to I in a fully taxable transaction for \$200. I never previously had a depreciable interest in the retail motor fuels outlet. I takes an outside basis of \$200 in the partnership interest previously owned by Q. I's share of the partnership's previously taxed capital is \$95. Accordingly, I's section 743(b) adjustment is \$105 and is allocated entirely to the retail motor fuels outlet under section 755. Assuming all other requirements are met, I's section 743(b) adjustment qualifies for the additional first year depreciation deduction.

Example 14. The facts are the same as in Example 13 of this paragraph (b)(3)(vi), except that Q sells his partnership interest to U, a related person within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c). U's section 743(b) adjustment does not qualify for the additional first year depreciation deduction.

Example 15. The facts are the same as in Example 13 of this paragraph (b)(3)(vi), except that Q dies and his partnership interest is transferred to V. V takes a basis in Q's partnership interest under section 1014. As a result, section 179(d)(2)(C)(ii) and §1.179-4(c)(1)(iv) are not satisfied, and V's section 743(b) adjustment does not qualify for the additional first year depreciation deduction.

Example 16. The facts are the same as in Example 13 of this paragraph (b)(3)(vi), except that QRS purchased the retail motor fuels outlet from I prior to I purchasing Q's partnership interest in QRS. I had a depreciable interest in such retail motor fuels outlet. Because I had a depreciable interest in the retail motor fuels outlet before I acquired its interest in QRS, I's section 743(b) adjustment does not qualify for the additional first year depreciation deduction.

Example 17. In November 2017, AA Corporation purchases a used drill press costing \$10,000 and is granted a trade-in allowance of \$2,000 on its old drill press. The used drill press is qualified property under section 168(k)(2)(A)(i). The old drill press had a basis of \$1,200. Under sections 1012 and 1031(d), the basis of the used drill press is \$9,200 (\$1,200 basis of old drill press plus cash expended of \$8,000). Only \$8,000 of the basis of the used drill press satisfies the requirements of section 179(d)(3) and §1.179-4(d) and, thus, satisfies the used property acquisition requirement of paragraph (b)(3)(iii) of this section. The remaining \$1,200 of the basis of the used drill press does not satisfy the requirements of section 179(d)(3) and §1.179-4(d) because it is determined by reference to the old drill press. Accordingly, assuming all other requirements are met, only \$8,000 of the basis of the used drill press is eligible for the additional first year depreciation deduction.

Example 18. In a series of related transactions, a father sells a machine to an unrelated party who sells the machine to the father's daughter for use in the daughter's trade or business. Pursuant to paragraph (b)(3)(iii)(C) of this section, the transfers of the machine are treated as a direct transfer from the father to his daughter and the time to test whether the parties are related is immediately after the last transaction in the series. Because the father and the daughter are related parties within the meaning of section 179(d)(2)(A) and §1.179-4(c)(ii), the daughter's acquisition of the machine does

not satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Further, because the transfers of the machine are treated as a direct transfer from the father to his daughter, the unrelated party's acquisition of the machine is not eligible for the additional first year depreciation deduction.

Example 19. Parent owns all of the stock of B Corporation and C Corporation. Parent, B Corporation, and C Corporation are all members of the Parent consolidated group. C Corporation has a depreciable interest in Equipment #1. During 2018, C Corporation sells Equipment #1 to B Corporation. Prior to this acquisition, B Corporation never had a depreciable interest in Equipment #1. B Corporation's acquisition of Equipment #1 does not satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section for two reasons. First, B Corporation and C Corporation are related parties within the meaning of section 179(d)(2)(B) and §1.179-4(c)(2)(iii). Second, pursuant to paragraph (b)(3)(iii)(B)(3)(i) of this section, B Corporation is treated as previously having a depreciable interest in Equipment #1 because B Corporation is a member of the Parent consolidated group and C Corporation, while a member of the Parent consolidated group, had a depreciable interest in Equipment #1. Accordingly, B Corporation's acquisition of Equipment #1 is not eligible for the additional first year depreciation deduction.

Example 20. (i) Parent owns all of the stock of D Corporation and E Corporation. Parent, D Corporation, and E Corporation are all members of the Parent consolidated group. D Corporation has a depreciable interest in Equipment #2. No other members of the Parent consolidated group ever had a depreciable interest in Equipment #2. During 2018, D Corporation sells Equipment #2 to BA, a person not related, within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c), to any member of the Parent consolidated group. In an unrelated transaction during 2019, E Corporation acquires Equipment #2 from BA or another person not related to any member of the Parent consolidated group within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c).

(ii) Pursuant to paragraph (b)(3)(iii)(B)(3)(i) of this section, E Corporation is treated as previously having a depreciable interest in Equipment #2 because E Corporation is a member of the Parent consolidated group, and D Corporation, while a member of the Parent consolidated group, had a depreciable interest in Equipment #2. As a result, E Corporation's acquisition of Equipment #2 does not satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Thus, E Corporation's acquisition of Equipment #2 is not eligible for the additional first year depreciation deduction. The results would be the same if D Corporation had ceased to be a member of the Parent consolidated group prior to E Corporation's acquisition of Equipment #2.

Example 21. (i) Parent owns all of the stock of F Corporation and G Corporation. Parent, F Corporation, and G Corporation are all members of the Parent consolidated group. G Corporation has a depreciable interest in Equipment #3. No other members of the Parent consolidated group ever had a depreciable interest in Equipment #3. X Corporation is the common parent of a consolidated group and is not related, within the

meaning of section 179(d)(2)(A) or (B) and §1.179-4(c), to any member of the Parent consolidated group. No member of the X consolidated group ever had a depreciable interest in Equipment #3. In a series of related transactions, G Corporation sells Equipment #3 to F Corporation, and Parent sells all of the stock of F Corporation to X Corporation.

(ii) F Corporation was a member of the Parent consolidated group at the time it acquired Equipment #3 from G Corporation, another member of the group. Paragraph (b)(3)(iii)(B)(3)(i) of this section generally treats each member of a consolidated group as having a depreciable interest in property during the time any member of the group had a depreciable interest in such property while a member of the group. Nevertheless, because there is a series of related transactions that includes the acquisition of Equipment #3 and a transaction in which F Corporation, the transferee of the property, leaves the Parent consolidated group and joins the X consolidated group, the time to test whether F Corporation is a member of the Parent consolidated group for purposes of paragraph (b)(3)(iii)(B)(3)(i) of this section is met is immediately after the last transaction in the series, that is, the sale of the F Corporation stock to X Corporation. See paragraph (b)(3)(iii)(B)(3)(iii) of this section. Accordingly, because F Corporation is not a member of the Parent consolidated group after the last transaction of the series, F Corporation is not treated as previously having a depreciable interest in Equipment #3 by virtue of G Corporation's depreciable interest in Equipment #3 under paragraph (b)(3)(iii)(B)(3)(i) of this section.

(iii) After the sale of the F Corporation stock to X Corporation, F Corporation is a member of the X consolidated group. Because no member of the X consolidated group previously had a depreciable interest in Equipment #3, F Corporation is not treated as previously having a depreciable interest in Equipment #3 under paragraph (b)(3)(iii)(B)(3)(i) of this section.

(iv) Because relatedness is tested after F Corporation leaves the Parent consolidated group, F Corporation and G Corporation are not related within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c). Accordingly, F Corporation's acquisition of Equipment #3 satisfies the used property acquisition requirements of paragraph (b)(3)(iii)(A)(1) of this section and, assuming all other requirements are met, F Corporation's acquisition of Equipment #3 is eligible for the additional first year depreciation deduction.

Example 22. (i) H Corporation, which is not a member of a consolidated group, has a depreciable interest in Equipment #4. Parent owns all the stock of I Corporation, and Parent and I Corporation are members of the Parent consolidated group. No member of the Parent consolidated group ever had a depreciable interest in Equipment #4. Neither Parent nor I Corporation is related to H Corporation within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c). During 2018, H Corporation sells Equipment #4 to a person not related to H Corporation, Parent, or I Corporation within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c). In a series of related

transactions, during 2019, Parent acquires all of the stock of H Corporation, and I Corporation purchases Equipment #4 from an unrelated person.

(ii) In a series of related transactions, H Corporation became a member of the Parent consolidated group, and I Corporation, also a member of the Parent consolidated group, acquired Equipment #4. Because H Corporation previously had a depreciable interest in Equipment #4, pursuant to paragraph (b)(3)(iii)(B)(3)(ii) of this section, I Corporation is treated as having a depreciable interest in Equipment #4. As a result, I Corporation's acquisition of Equipment #4 does not satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Accordingly, I Corporation's acquisition of Equipment #4 is not eligible for the additional first year depreciation deduction.

Example 23. (i) J Corporation, K Corporation, and L Corporation are unrelated parties within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c). None of J Corporation, K Corporation, and L Corporation is a member of a consolidated group. J Corporation has a depreciable interest in Equipment #5. During 2018, J Corporation sells Equipment #5 to K Corporation. During 2020, J Corporation merges into L Corporation in a transaction described in section 368(a)(1)(A). In 2021, L Corporation acquires Equipment #5 from K Corporation.

(ii) Because J Corporation is the predecessor of L Corporation and J Corporation previously had a depreciable interest in Equipment #5, L Corporation's acquisition of Equipment #5 does not satisfy paragraphs (b)(3)(iii)(A)(1) and (b)(3)(iii)(B)(1) of this section and, thus, does not satisfy the used property acquisition requirements of paragraph (b)(3)(iii) of this section. Accordingly, L Corporation's acquisition of Equipment #5 is not eligible for the additional first year depreciation deduction.

Example 24. (i) M Corporation acquires and places in service a used airplane on March 26, 2018. Prior to this acquisition, M Corporation never had a depreciable interest in this airplane. On March 26, 2018, M Corporation also leases the used airplane to N Corporation, an airline company. On May 27, 2018, M Corporation sells to O Corporation the used airplane subject to the lease with N Corporation. M Corporation and O Corporation are related parties within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c). As of May 27, 2018, N Corporation is still the lessee of the used airplane. Prior to this acquisition, O Corporation never had a depreciable interest in the used airplane. O Corporation is a calendar-year taxpayer.

(ii) The sale transaction of May 27, 2018, satisfies the requirements of paragraph (b)(3)(v) of this section. As a result, O Corporation is considered the taxpayer that acquired the used airplane for purposes of applying the used property acquisition requirements in paragraph (b)(3)(iii) of this section. In applying these rules, the fact that M Corporation and O Corporation are related parties is not taken into account because O Corporation, not M Corporation, is treated as acquiring the used airplane. Further, pursuant to paragraph (b)(4)(iv) of this section, the used airplane is treated as originally placed in service by O Corporation on May 27, 2018. Because O Corporation never

had a depreciable interest in the used airplane and assuming all other requirements are met, O Corporation's purchase price of the used airplane qualifies for the 100-percent additional first year depreciation deduction for O Corporation.

Example 25. (i) The facts are the same as in Example 24 of this paragraph (b)(3)(vi). Additionally, on September 5, 2018, O Corporation sells to P Corporation the used airplane subject to the lease with N Corporation. Prior to this acquisition, P Corporation never had a depreciable interest in the used airplane.

(ii) Because O Corporation, a calendar-year taxpayer, placed in service and disposed of the used airplane during 2018, the used airplane is not eligible for the additional first year depreciation deduction for O Corporation pursuant to paragraph (f)(1)(i) of this section.

(iii) Because P Corporation never had a depreciable interest in the used airplane and assuming all other requirements are met, P Corporation's purchase price of the used airplane qualifies for the 100-percent additional first year depreciation deduction for P Corporation.

(4) Placed-in-service date--(i) In general. Depreciable property will meet the requirements of this paragraph (b)(4) if the property is placed in service by the taxpayer for use in its trade or business or for production of income after September 27, 2017; and, except as provided in paragraphs (b)(2)(i)(A) and (D) of this section, before January 1, 2027, or, in the case of property described in section 168(k)(2)(B) or (C), before January 1, 2028.

(ii) Specified plant. If the taxpayer has properly made an election to apply section 168(k)(5) for a specified plant, the requirements of this paragraph (b)(4) are satisfied only if the specified plant is planted before January 1, 2027, or is grafted before January 1, 2027, to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business, as defined in section 263A(e)(4).

(iii) Qualified film, television, or live theatrical production--(A) For purposes of this paragraph (b)(4), a qualified film or television production is treated as placed in service at the time of initial release or broadcast as defined under §1.181-1(a)(7).

(B) For purposes of this paragraph (b)(4), a qualified live theatrical production is treated as placed in service at the time of the initial live staged performance. Solely for purposes of this paragraph, the term initial live staged performance means the first commercial exhibition of a production to an audience. However, the term initial live staged performance does not include limited exhibition, prior to commercial exhibition to general audiences, if the limited exhibition is primarily for purposes of publicity, determining the need for further production activity, or raising funds for the completion of production. For example, an initial live staged performance does not include a preview of the production if the preview is primarily to determine the need for further production activity.

(iv) Syndication transaction. If a lessor has a depreciable interest in the property and the lessor and any predecessor did not previously have a depreciable interest in the property, and the property is sold by the lessor or any subsequent purchaser within three months after the date the property was originally placed in service by the lessor (or, in the case of multiple units of property subject to the same lease, within three months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and the user of the property after the last sale during this three-month period remains the same as when the property was originally placed in service by the lessor, the property is treated as originally placed in service by the purchaser of the property in the last sale during the three-month period but not earlier than the date of the last sale.

(v) Technical termination of a partnership. For purposes of this paragraph (b)(4), in the case of a technical termination of a partnership under section 708(b)(1)(B) occurring in a taxable year beginning before January 1, 2018, qualified property placed in service by the terminated partnership during the taxable year of termination is treated as originally placed in service by the new partnership on the date the qualified property is contributed by the terminated partnership to the new partnership.

(vi) Section 168(i)(7) transactions. For purposes of this paragraph (b)(4), if qualified property is transferred in a transaction described in section 168(i)(7) in the same taxable year that the qualified property is placed in service by the transferor, the transferred property is treated as originally placed in service on the date the transferor placed in service the qualified property. In the case of multiple transfers of qualified property in multiple transactions described in section 168(i)(7) in the same taxable year, the placed-in-service date of the transferred property is deemed to be the date on which the first transferor placed in service the qualified property.

(5) Acquisition of property--(i) In general. This paragraph (b)(5) provides rules for the acquisition requirements in section 13201(h) of the Act. These rules apply to all property, including self-constructed property or property described in section 168(k)(2)(B) or (C).

(ii) Acquisition date. Except as provided in paragraph (b)(5)(vi) of this section, depreciable property will meet the requirements of this paragraph (b)(5) if the property is acquired by the taxpayer after September 27, 2017, or is acquired by the taxpayer pursuant to a written binding contract entered into by the taxpayer after September 27, 2017. Property that is manufactured, constructed, or produced for the taxpayer by

another person under a written binding contract that is entered into prior to the manufacture, construction, or production of the property for use by the taxpayer in its trade or business or for its production of income is acquired pursuant to a written binding contract. If a taxpayer acquired the property pursuant to a written binding contract and such contract states the date on which the contract was entered into and a closing date, delivery date, or other similar date, the date on which the contract was entered into is the date the taxpayer acquired the property. See paragraph (b)(5)(v) of this section for when a qualified film, television, or live theatrical production is treated as acquired for purposes of this paragraph (b)(5).

(iii) Definition of binding contract--(A) In general. A contract is binding only if it is enforceable under State law against the taxpayer or a predecessor, and does not limit damages to a specified amount (for example, by use of a liquidated damages provision). For this purpose, a contractual provision that limits damages to an amount equal to at least 5 percent of the total contract price will not be treated as limiting damages to a specified amount. In determining whether a contract limits damages, the fact that there may be little or no damages because the contract price does not significantly differ from fair market value will not be taken into account. For example, if a taxpayer entered into an irrevocable written contract to purchase an asset for \$100 and the contract did not contain a provision for liquidated damages, the contract is considered binding notwithstanding the fact that the asset had a fair market value of \$99 and under local law the seller would only recover the difference in the event the purchaser failed to perform. If the contract provided for a full refund of the purchase

price in lieu of any damages allowable by law in the event of breach or cancellation, the contract is not considered binding.

(B) Conditions. A contract is binding even if subject to a condition, as long as the condition is not within the control of either party or a predecessor. A contract will continue to be binding if the parties make insubstantial changes in its terms and conditions or if any term is to be determined by a standard beyond the control of either party. A contract that imposes significant obligations on the taxpayer or a predecessor will be treated as binding notwithstanding the fact that certain terms remain to be negotiated by the parties to the contract.

(C) Options. An option to either acquire or sell property is not a binding contract.

(D) Letter of intent. A letter of intent for an acquisition is not a binding contract.

(E) Supply agreements. A binding contract does not include a supply or similar agreement if the amount and design specifications of the property to be purchased have not been specified. The contract will not be a binding contract for the property to be purchased until both the amount and the design specifications are specified. For example, if the provisions of a supply or similar agreement state the design specifications of the property to be purchased, a purchase order under the agreement for a specific number of assets is treated as a binding contract.

(F) Components. A binding contract to acquire one or more components of a larger property will not be treated as a binding contract to acquire the larger property. If a binding contract to acquire the component does not satisfy the requirements of this paragraph (b)(5), the component does not qualify for the additional first year depreciation deduction.

(iv) Self-constructed property--(A) In general. If a taxpayer manufactures, constructs, or produces property for use by the taxpayer in its trade or business or for its production of income, the acquisition rules in paragraph (b)(5)(ii) of this section are treated as met for the property if the taxpayer begins manufacturing, constructing, or producing the property after September 27, 2017. This paragraph (b)(5)(iv) does not apply to property that is manufactured, constructed, or produced for the taxpayer by another person under a written binding contract that is entered into prior to the manufacture, construction, or production of the property for use by the taxpayer in its trade or business or for its production of income (for further guidance, see paragraphs (b)(5)(ii) and (iii) of this section).

(B) When does manufacture, construction, or production begin--(1) In general. For purposes of paragraph (b)(5)(iv)(A) of this section, manufacture, construction, or production of property begins when physical work of a significant nature begins. Physical work does not include preliminary activities such as planning or designing, securing financing, exploring, or researching. The determination of when physical work of a significant nature begins depends on the facts and circumstances. For example, if the taxpayer constructs a retail motor fuels outlet on-site for use by the taxpayer in its trade or business, construction begins when physical work of a significant nature commences at the site by the taxpayer; that is, when work begins on the excavation for footings, pouring the pads for the outlet, or the driving of foundation pilings into the ground. Preliminary work, such as clearing a site, test drilling to determine soil condition, or excavation to change the contour of the land (as distinguished from excavation for footings) does not constitute the beginning of construction. However, if

the taxpayer assembles a retail motor fuels outlet on-site from modular units manufactured off-site by the taxpayer and delivered to the site where the outlet will be used, manufacturing begins when physical work of a significant nature commences at the off-site location by the taxpayer.

(2) Safe harbor. For purposes of paragraph (b)(5)(iv)(B)(1) of this section, a taxpayer may choose to determine when physical work of a significant nature begins in accordance with this paragraph (b)(5)(iv)(B)(2). Physical work of a significant nature will be considered to begin at the time the taxpayer incurs (in the case of an accrual basis taxpayer) or pays (in the case of a cash basis taxpayer) more than 10 percent of the total cost of the property (excluding the cost of any land and preliminary activities such as planning or designing, securing financing, exploring, or researching). A taxpayer chooses to apply this paragraph (b)(5)(iv)(B)(2) by filing a federal income tax return for the placed-in-service year of the property that determines when physical work of a significant nature begins consistent with this paragraph (b)(5)(iv)(B)(2).

(C) Components of self-constructed property--(1) Acquired components. If a binding contract, as defined in paragraph (b)(5)(iii) of this section, to acquire a component does not satisfy the requirements of paragraph (b)(5)(ii) of this section, the component does not qualify for the additional first year depreciation deduction. A binding contract described in the preceding sentence to acquire one or more components of a larger self-constructed property will not preclude the larger self-constructed property from satisfying the acquisition rules in paragraph (b)(5)(iv)(A) of this section. Accordingly, the unadjusted depreciable basis of the larger self-constructed property that is eligible for the additional first year depreciation deduction,

assuming all other requirements are met, must not include the unadjusted depreciable basis of any component that does not satisfy the requirements of paragraph (b)(5)(ii) of this section. If the manufacture, construction, or production of the larger self-constructed property begins before September 28, 2017, the larger self-constructed property and any acquired components related to the larger self-constructed property do not qualify for the additional first year depreciation deduction under this section.

(2) Self-constructed components. If the manufacture, construction, or production of a component by the taxpayer does not satisfy the requirements of this paragraph (b)(5)(iv), the component does not qualify for the additional first year depreciation deduction. However, if the manufacture, construction, or production of a component does not satisfy the requirements of this paragraph (b)(5)(iv), but the manufacture, construction, or production of the larger self-constructed property satisfies the requirements of this paragraph (b)(5)(iv), the larger self-constructed property qualifies for the additional first year depreciation deduction, assuming all other requirements are met, even though the component does not qualify for the additional first year depreciation deduction. Accordingly, the unadjusted depreciable basis of the larger self-constructed property that is eligible for the additional first year depreciation deduction, assuming all other requirements are met, must not include the unadjusted depreciable basis of any component that does not qualify for the additional first year depreciation deduction. If the manufacture, construction, or production of the larger self-constructed property began before September 28, 2017, the larger self-constructed property and any self-constructed components related to the larger self-constructed

property do not qualify for the additional first year depreciation deduction under this section.

(v) Qualified film, television, or live theatrical production--(A) For purposes of section 13201(h)(1)(A) of the Act, a qualified film or television production is treated as acquired on the date principal photography commences.

(B) For purposes of section 13201(h)(1)(A) of the Act, a qualified live theatrical production is treated as acquired on the date when all of the necessary elements for producing the live theatrical production are secured. These elements may include a script, financing, actors, set, scenic and costume designs, advertising agents, music, and lighting.

(vi) Specified plant. If the taxpayer has properly made an election to apply section 168(k)(5) for a specified plant, the requirements of this paragraph (b)(5) are satisfied if the specified plant is planted after September 27, 2017, or is grafted after September 27, 2017, to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business, as defined in section 263A(e)(4).

(vii) Examples. The application of this paragraph (b)(5) is illustrated by the following examples. Unless the facts specifically indicate otherwise, assume that the parties are not related within the meaning of section 179(d)(2)(A) or (B) and §1.179-4(c), and the parties do not have predecessors:

Example 1. On September 1, 2017, BB, a corporation, entered into a written agreement with CC, a manufacturer, to purchase 20 new lamps for \$100 each within the next two years. Although the agreement specifies the number of lamps to be purchased, the agreement does not specify the design of the lamps to be purchased. Accordingly, the agreement is not a binding contract pursuant to paragraph (b)(5)(iii)(E) of this section.

Example 2. The facts are the same as in Example 1 of this paragraph (b)(5)(vii). On December 1, 2017, BB placed a purchase order with CC to purchase 20 new model XPC5 lamps for \$100 each for a total amount of \$2,000. Because the agreement specifies the number of lamps to be purchased and the purchase order specifies the design of the lamps to be purchased, the purchase order placed by BB with CC on December 1, 2017, is a binding contract pursuant to paragraph (b)(5)(iii)(E) of this section. Accordingly, assuming all other requirements are met, the cost of the 20 lamps qualifies for the 100-percent additional first year depreciation deduction.

Example 3. The facts are the same as in Example 1 of this paragraph (b)(5)(vii), except that the written agreement between BB and CC is to purchase 100 model XPC5 lamps for \$100 each within the next two years. Because this agreement specifies the amount and design of the lamps to be purchased, the agreement is a binding contract pursuant to paragraph (b)(5)(iii)(E) of this section. However, because the agreement was entered into before September 28, 2017, no lamp acquired by BB under this contract qualifies for the 100-percent additional first year depreciation deduction.

Example 4. On September 1, 2017, DD began constructing a retail motor fuels outlet for its own use. On November 1, 2018, DD ceases construction of the retail motor fuels outlet prior to its completion. Between September 1, 2017, and November 1, 2018, DD incurred \$3,000,000 of expenditures for the construction of the retail motor fuels outlet. On May 1, 2019, DD resumed construction of the retail motor fuels outlet and completed its construction on August 31, 2019. Between May 1, 2019, and August 31, 2019, DD incurred another \$1,600,000 of expenditures to complete the construction of the retail motor fuels outlet and, on September 1, 2019, DD placed the retail motor fuels outlet in service. None of DD's total expenditures of \$4,600,000 qualify for the 100-percent additional first year depreciation deduction because, pursuant to paragraph (b)(5)(iv)(A) of this section, DD began constructing the retail motor fuels outlet before September 28, 2017.

Example 5. The facts are the same as in Example 4 of this paragraph (b)(5)(vii) except that DD began constructing the retail motor fuels outlet for its own use on October 1, 2017, and DD incurred the \$3,000,000 between October 1, 2017, and November 1, 2018. DD's total expenditures of \$4,600,000 qualify for the 100-percent additional first year depreciation deduction because, pursuant to paragraph (b)(5)(iv)(A) of this section, DD began constructing the retail motor fuels outlet after September 27, 2017, and DD placed the retail motor fuels outlet in service on September 1, 2019. Accordingly, assuming all other requirements are met, the additional first year depreciation deduction for the retail motor fuels outlet will be \$4,600,000, computed as \$4,600,000 multiplied by 100 percent.

Example 6. On August 15, 2017, EE entered into a written binding contract with FF to manufacture an aircraft described in section 168(k)(2)(C) for use in EE's trade or business. FF begins to manufacture the aircraft on October 1, 2017. EE places the aircraft in service on March 1, 2018. Pursuant to paragraph (b)(5)(ii) of this section, the aircraft is acquired by EE pursuant to a written binding contract. Because EE entered

into such contract before September 28, 2017, the aircraft does not qualify for the 100-percent additional first year depreciation deduction.

Example 7. On June 1, 2017, HH entered into a written binding contract to acquire a new component part of property that is being constructed by HH for its own use in its trade or business. HH commenced construction of the property in November 2017, and placed the property in service in November 2018. Because HH entered into a written binding contract to acquire a component part prior to September 28, 2017, pursuant to paragraphs (b)(5)(ii) and (b)(5)(iv)(C)(1) of this section, the component part does not qualify for the 100-percent additional first year depreciation deduction. However, pursuant to paragraphs (b)(5)(iv)(A) and (b)(5)(iv)(C)(1) of this section, the property constructed by HH will qualify for the 100-percent additional first year depreciation deduction, because construction of the property began after September 27, 2017, assuming all other requirements are met. Accordingly, the unadjusted depreciable basis of the property that is eligible for the 100-percent additional first year depreciation deduction must not include the unadjusted depreciable basis of the component part.

Example 8. The facts are the same as in Example 7 of this paragraph (b)(5)(vii) except that HH entered into the written binding contract to acquire the new component part on September 30, 2017, and HH commenced construction of the property on August 1, 2017. Pursuant to paragraphs (b)(5)(iv)(A) and (C) of this section, neither the property constructed by HH nor the component part will qualify for the 100-percent additional first year depreciation deduction, because HH began construction of the property prior to September 28, 2017.

Example 9. On September 1, 2017, II acquired and placed in service equipment. On October 15, 2017, II sells the equipment to JJ and leases the property back from JJ in a sale-leaseback transaction. Pursuant to paragraph (b)(5)(ii) of this section, II's cost of the equipment does not qualify for the 100-percent additional first year depreciation deduction because II acquired the equipment prior to September 28, 2017. However, JJ acquired used equipment from an unrelated party after September 27, 2017, and, assuming all other requirements are met, JJ's cost of the used equipment does qualify for the 100-percent additional first year depreciation deduction for JJ.

Example 10. On July 1, 2017, KK began constructing property for its own use in its trade or business. KK placed this property in service on September 15, 2017. On October 15, 2017, KK sells the property to LL and leases the property back from LL in a sale-leaseback transaction. Pursuant to paragraph (b)(5)(iv) of this section, KK's cost of the property does not qualify for the 100-percent additional first year depreciation deduction because construction began prior to September 28, 2017. However, LL acquired used property from an unrelated party after September 27, 2017, and, assuming all other requirements are met, LL's cost of the used property does qualify for the 100-percent additional first year depreciation deduction for LL.

(c) Property described in section 168(k)(2)(B) or (C)--(1) In general. Property described in section 168(k)(2)(B) or (C) will meet the acquisition requirements of section 168(k)(2)(B)(i)(III) or (k)(2)(C)(i) if the property is acquired by the taxpayer before January 1, 2027, or acquired by the taxpayer pursuant to a written binding contract that is entered into before January 1, 2027. Property described in section 168(k)(2)(B) or (C) also must meet the acquisition requirement in section 13201(h)(1)(A) of the Act (for further guidance, see paragraph (b)(5) of this section).

(2) Definition of binding contract. For purposes of this paragraph (c), the rules in paragraph (b)(5)(iii) of this section for a binding contract apply.

(3) Self-constructed property--(i) In general. If a taxpayer manufactures, constructs, or produces property for use by the taxpayer in its trade or business or for its production of income, the acquisition rules in paragraph (c)(1) of this section are treated as met for the property if the taxpayer begins manufacturing, constructing, or producing the property before January 1, 2027. Property that is manufactured, constructed, or produced for the taxpayer by another person under a written binding contract, as defined in paragraph (b)(5)(iii) of this section, that is entered into prior to the manufacture, construction, or production of the property for use by the taxpayer in its trade or business or for its production of income is considered to be manufactured, constructed, or produced by the taxpayer. If a taxpayer enters into a written binding contract, as defined in paragraph (b)(5)(iii) of this section, before January 1, 2027, with another person to manufacture, construct, or produce property described in section 168(k)(2)(B) or (C) and the manufacture, construction, or production of this property

begins after December 31, 2026, the acquisition rule in paragraph (c)(1) of this section is met.

(ii) When does manufacture, construction, or production begin--(A) In general.

For purposes of this paragraph (c)(3), manufacture, construction, or production of property begins when physical work of a significant nature begins. Physical work does not include preliminary activities such as planning or designing, securing financing, exploring, or researching. The determination of when physical work of a significant nature begins depends on the facts and circumstances. For example, if a retail motor fuels outlet is to be constructed on-site, construction begins when physical work of a significant nature commences at the site; that is, when work begins on the excavation for footings, pouring the pads for the outlet, or the driving of foundation pilings into the ground. Preliminary work, such as clearing a site, test drilling to determine soil condition, or excavation to change the contour of the land (as distinguished from excavation for footings) does not constitute the beginning of construction. However, if a retail motor fuels outlet is to be assembled on-site from modular units manufactured off-site and delivered to the site where the outlet will be used, manufacturing begins when physical work of a significant nature commences at the off-site location.

(B) Safe harbor. For purposes of paragraph (c)(3)(ii)(A) of this section, a taxpayer may choose to determine when physical work of a significant nature begins in accordance with this paragraph (c)(3)(ii)(B). Physical work of a significant nature will be considered to begin at the time the taxpayer incurs (in the case of an accrual basis taxpayer) or pays (in the case of a cash basis taxpayer) more than 10 percent of the total cost of the property (excluding the cost of any land and preliminary activities such

as planning or designing, securing financing, exploring, or researching). When property is manufactured, constructed, or produced for the taxpayer by another person, this safe harbor test must be satisfied by the taxpayer. For example, if a retail motor fuels outlet is to be constructed for an accrual basis taxpayer by another person for the total cost of \$200,000 (excluding the cost of any land and preliminary activities such as planning or designing, securing financing, exploring, or researching), construction is deemed to begin for purposes of this paragraph (c)(3)(ii)(B) when the taxpayer has incurred more than 10 percent (more than \$20,000) of the total cost of the property. A taxpayer chooses to apply this paragraph (c)(3)(ii)(B) by filing a federal income tax return for the placed-in-service year of the property that determines when physical work of a significant nature begins consistent with this paragraph (c)(3)(ii)(B).

(iii) Components of self-constructed property--(A) Acquired components. If a binding contract, as defined in paragraph (b)(5)(iii) of this section, to acquire a component does not satisfy the requirements of paragraph (c)(1) of this section, the component does not qualify for the additional first year depreciation deduction. A binding contract described in the preceding sentence to acquire one or more components of a larger self-constructed property will not preclude the larger self-constructed property from satisfying the acquisition rules in paragraph (c)(3)(i) of this section. Accordingly, the unadjusted depreciable basis of the larger self-constructed property that is eligible for the additional first year depreciation deduction, assuming all other requirements are met, must not include the unadjusted depreciable basis of any component that does not satisfy the requirements of paragraph (c)(1) of this section. If a binding contract to acquire the component is entered into before January 1, 2027, but

the manufacture, construction, or production of the larger self-constructed property does not begin before January 1, 2027, the component qualifies for the additional first year depreciation deduction, assuming all other requirements are met, but the larger self-constructed property does not.

(B) Self-constructed components. If the manufacture, construction, or production of a component by the taxpayer does not satisfy the requirements of paragraph (c)(3)(i) of this section, the component does not qualify for the additional first year depreciation deduction. However, if the manufacture, construction, or production of a component does not satisfy the requirements of paragraph (c)(3)(i) of this section, but the manufacture, construction, or production of the larger self-constructed property satisfies the requirements of paragraph (c)(3)(i) of this section, the larger self-constructed property qualifies for the additional first year depreciation deduction, assuming all other requirements are met, even though the component does not qualify for the additional first year depreciation deduction. Accordingly, the unadjusted depreciable basis of the larger self-constructed property that is eligible for the additional first year depreciation deduction, assuming all other requirements are met, must not include the unadjusted depreciable basis of any component that does not qualify for the additional first year depreciation deduction. If the manufacture, construction, or production of a component begins before January 1, 2027, but the manufacture, construction, or production of the larger self-constructed property does not begin before January 1, 2027, the component qualifies for the additional first year depreciation deduction, assuming all other requirements are met, but the larger self-constructed property does not.

(iv) Examples. The application of this paragraph (c) is illustrated by the following examples:

Example 1. On June 1, 2017, MM decided to construct property described in section 168(k)(2)(B) for its own use. However, one of the component parts of the property had to be manufactured by another person for MM. On August 15, 2017, MM entered into a written binding contract with NN to acquire this component part of the property for \$100,000. The manufacture of the component part commenced on September 1, 2018, and MM received the completed component part on February 1, 2020. The cost of this component part is 9 percent of the total cost of the property to be constructed by MM. MM began constructing the property described in section 168(k)(2)(B) on January 15, 2020, and placed this property, including all component parts, in service on November 1, 2021. Pursuant to paragraphs (b)(5)(iv)(C)(1) and (c)(1) of this section, the component part of \$100,000 manufactured by NN for MM is not eligible for the 100-percent additional first year depreciation deduction because the written binding contract to acquire such component part was entered into before September 28, 2017. However, pursuant to paragraph (c)(3)(i) of this section, the cost of the property described in section 168(k)(2)(B), excluding the cost of the component part of \$100,000 manufactured by NN for MM, is eligible for the 100-percent additional first year depreciation deduction, assuming all other requirements are met, because construction of the property began after September 27, 2017, and before January 1, 2027, and the property described in section 168(k)(2)(B) was placed in service by MM before January 1, 2028.

Example 2. On June 1, 2026, OO decided to construct property described in section 168(k)(2)(B) for its own use. However, one of the component parts of the property had to be manufactured by another person for OO. On August 15, 2026, OO entered into a written binding contract with PP to acquire this component part of the property for \$100,000. The manufacture of the component part commenced on September 1, 2026, and OO received the completed component part on February 1, 2027. The cost of this component part is 9 percent of the total cost of the property to be constructed by OO. OO began constructing the property described in section 168(k)(2)(B) on January 15, 2027, and placed this property, including all component parts, in service on November 1, 2027. Pursuant to paragraph (c)(3)(iii)(B) of this section, the self-constructed component part of \$100,000 manufactured by PP for OO is eligible for the additional first year depreciation deduction, assuming all other requirements are met, because the manufacturing of the component part began before January 1, 2027, and the property described in section 168(k)(2)(B), the larger self-constructed property, was placed in service by OO before January 1, 2028. However, pursuant to paragraph (c)(3)(i) of this section, the cost of the property described in section 168(k)(2)(B), excluding the cost of the self-constructed component part of \$100,000 manufactured by PP for OO, is not eligible for the additional first year depreciation deduction because construction of the property began after December 31, 2026.

Example 3. On December 1, 2026, QQ entered into a written binding contract, as defined in paragraph (b)(5)(iii) of this section, with RR to manufacture an aircraft described in section 168(k)(2)(C) for use in QQ's trade or business. RR begins to manufacture the aircraft on February 1, 2027. QQ places the aircraft in service on August 1, 2027. Pursuant to paragraph (c)(3)(i) of this section, the aircraft meets the requirements of paragraph (c)(1) of this section because the aircraft was acquired by QQ pursuant to a written binding contract entered into before January 1, 2027. Further, the aircraft was placed in service by QQ before January 1, 2028. Thus, assuming all other requirements are met, QQ's cost of the aircraft is eligible for the additional first year depreciation deduction.

(d) Computation of depreciation deduction for qualified property--(1) Additional first year depreciation deduction--(i) Allowable taxable year. The additional first year depreciation deduction is allowable--

(A) Except as provided in paragraph (d)(1)(i)(B) or (f) of this section, in the taxable year in which the qualified property is placed in service by the taxpayer for use in its trade or business or for the production of income; or

(B) In the taxable year in which the specified plant is planted, or grafted to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business, as defined in section 263A(e)(4), if the taxpayer properly made the election to apply section 168(k)(5) (for further guidance, see paragraph (e) of this section).

(ii) Computation. Except as provided in paragraph (f)(5) of this section, the allowable additional first year depreciation deduction for qualified property is determined by multiplying the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3), of the qualified property by the applicable percentage. Except as provided in paragraph (f)(1) of this section, the additional first year depreciation deduction is not affected by a taxable year of less than 12 months. See paragraph (f)(1) of this section for qualified property placed in service or planted or grafted, as applicable, and disposed of during

the same taxable year. See paragraph (f)(5) of this section for qualified property acquired in a like-kind exchange or as a result of an involuntary conversion.

(iii) Property described in section 168(k)(2)(B). For purposes of paragraph (d)(1)(ii) of this section, the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3), of qualified property described in section 168(k)(2)(B) is limited to the property's unadjusted depreciable basis attributable to the property's manufacture, construction, or production before January 1, 2027.

(iv) Alternative minimum tax--(A) In general. The additional first year depreciation deduction is allowable for alternative minimum tax purposes--

(1) Except as provided in paragraph (d)(1)(iv)(A)(2) of this section, in the taxable year in which the qualified property is placed in service by the taxpayer; or

(2) In the taxable year in which a specified plant is planted by the taxpayer, or grafted by the taxpayer to a plant that was previously planted, if the taxpayer properly made the election to apply section 168(k)(5) (for further guidance, see paragraph (e) of this section).

(B) Special rules. In general, the additional first year depreciation deduction for alternative minimum tax purposes is based on the unadjusted depreciable basis of the property for alternative minimum tax purposes. However, see paragraph (f)(5)(iii)(E) of this section for qualified property acquired in a like-kind exchange or as a result of an involuntary conversion.

(2) Otherwise allowable depreciation deduction--(i) In general. Before determining the amount otherwise allowable as a depreciation deduction for the qualified property for the placed-in-service year and any subsequent taxable year, the

taxpayer must determine the remaining adjusted depreciable basis of the qualified property. This remaining adjusted depreciable basis is equal to the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3), of the qualified property reduced by the amount of the additional first year depreciation allowed or allowable, whichever is greater. The remaining adjusted depreciable basis of the qualified property is then depreciated using the applicable depreciation provisions under the Internal Revenue Code for the qualified property. The remaining adjusted depreciable basis of the qualified property that is MACRS property is also the basis to which the annual depreciation rates in the optional depreciation tables apply (for further guidance, see section 8 of Rev. Proc. 87-57 (1987-2 C.B. 687) and §601.601(d)(2)(ii)(b) of this chapter). The depreciation deduction allowable for the remaining adjusted depreciable basis of the qualified property is affected by a taxable year of less than 12 months.

(ii) Alternative minimum tax. For alternative minimum tax purposes, the depreciation deduction allowable for the remaining adjusted depreciable basis of the qualified property is based on the remaining adjusted depreciable basis for alternative minimum tax purposes. The remaining adjusted depreciable basis of the qualified property for alternative minimum tax purposes is depreciated using the same depreciation method, recovery period (or useful life in the case of computer software), and convention that apply to the qualified property for regular tax purposes.

(3) Examples. This paragraph (d) is illustrated by the following examples:

Example 1. On March 1, 2023, SS, a calendar-year taxpayer, purchased and placed in service qualified property that costs \$1 million and is 5-year property under section 168(e). SS depreciates its 5-year property placed in service in 2023 using the optional depreciation table that corresponds with the general depreciation system, the 200-percent declining balance method, a 5-year recovery period, and the half-year convention. For 2023, SS is allowed an 80-percent additional first year depreciation

deduction of \$800,000 (the unadjusted depreciable basis of \$1 million multiplied by 0.80). Next, SS must reduce the unadjusted depreciable basis of \$1 million by the additional first year depreciation deduction of \$800,000 to determine the remaining adjusted depreciable basis of \$200,000. Then, SS' depreciation deduction allowable in 2023 for the remaining adjusted depreciable basis of \$200,000 is \$40,000 (the remaining adjusted depreciable basis of \$200,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

Example 2. On June 1, 2023, TT, a calendar-year taxpayer, purchased and placed in service qualified property that costs \$1,500,000. The property qualifies for the expensing election under section 179 and is 5-year property under section 168(e). TT did not purchase any other section 179 property in 2023. TT makes the election under section 179 for the property and depreciates its 5-year property placed in service in 2023 using the optional depreciation table that corresponds with the general depreciation system, the 200-percent declining balance method, a 5-year recovery period, and the half-year convention. Assume the maximum section 179 deduction for 2023 is \$1,000,000. For 2023, TT is first allowed a \$1,000,000 deduction under section 179. Next, TT must reduce the cost of \$1,500,000 by the section 179 deduction of \$1,000,000 to determine the unadjusted depreciable basis of \$500,000. Then, for 2023, TT is allowed an 80-percent additional first year depreciation deduction of \$400,000 (the unadjusted depreciable basis of \$500,000 multiplied by 0.80). Next, TT must reduce the unadjusted depreciable basis of \$500,000 by the additional first year depreciation deduction of \$400,000 to determine the remaining adjusted depreciable basis of \$100,000. Then, TT's depreciation deduction allowable in 2023 for the remaining adjusted depreciable basis of \$100,000 is \$20,000 (the remaining adjusted depreciable basis of \$100,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

(e) Elections under section 168(k)--(1) Election not to deduct additional first year depreciation--(i) In general. A taxpayer may make an election not to deduct the additional first year depreciation for any class of property that is qualified property placed in service during the taxable year. If this election is made, the election applies to all qualified property that is in the same class of property and placed in service in the same taxable year, and no additional first year depreciation deduction is allowable for the property placed in service during the taxable year in the class of property, except as provided in §1.743-1(j)(4)(i)(B)(1).

(ii) Definition of class of property. For purposes of this paragraph (e)(1), the term class of property means:

(A) Except for the property described in paragraphs (e)(1)(ii)(B) and (D), and (e)(2) of this section, each class of property described in section 168(e) (for example, 5-year property);

(B) Water utility property as defined in section 168(e)(5) and depreciated under section 168;

(C) Computer software as defined in, and depreciated under, section 167(f)(1) and the regulations under section 167(f)(1);

(D) Qualified improvement property as defined in §1.168(b)-1(a)(5)(i)(C) and (a)(5)(ii), and depreciated under section 168;

(E) Each separate production, as defined in §1.181-3(b), of a qualified film or television production;

(F) Each separate production, as defined in section 181(e)(2), of a qualified live theatrical production; or

(G) A partner's basis adjustment in partnership assets under section 743(b) for each class of property described in paragraphs (e)(1)(ii)(A) through (F), and (e)(2) of this section (for further guidance, see §1.743-1(j)(4)(i)(B)(1)).

(iii) Time and manner for making election--(A) Time for making election. Any election specified in paragraph (e)(1)(i) of this section must be made by the due date, including extensions, of the Federal tax return for the taxable year in which the qualified property is placed in service by the taxpayer.

(B) Manner of making election. Any election specified in paragraph (e)(1)(i) of this section must be made in the manner prescribed on Form 4562, "Depreciation and Amortization," and its instructions. The election is made separately by each person

owning qualified property (for example, for each member of a consolidated group by the common parent of the group, by the partnership (including basis adjustments in the partnership assets under section 743(b)), or by the S corporation). If Form 4562 is revised or renumbered, any reference in this section to that form shall be treated as a reference to the revised or renumbered form.

(iv) Failure to make election. If a taxpayer does not make the election specified in paragraph (e)(1)(i) of this section within the time and in the manner prescribed in paragraph (e)(1)(iii) of this section, the amount of depreciation allowable for that property under section 167(f)(1) or 168, as applicable, must be determined for the placed-in-service year and for all subsequent taxable years by taking into account the additional first year depreciation deduction. Thus, any election specified in paragraph (e)(1)(i) of this section shall not be made by the taxpayer in any other manner (for example, the election cannot be made through a request under section 446(e) to change the taxpayer's method of accounting).

(2) Election to apply section 168(k)(5) for specified plants--(i) In general. A taxpayer may make an election to apply section 168(k)(5) to one or more specified plants that are planted, or grafted to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business, as defined in section 263A(e)(4). If this election is made for a specified plant, such plant is not treated as qualified property under section 168(k) and this section in its placed-in-service year.

(ii) Time and manner for making election--(A) Time for making election. Any election specified in paragraph (e)(2)(i) of this section must be made by the due date,

including extensions, of the Federal tax return for the taxable year in which the taxpayer planted or grafted the specified plant to which the election applies.

(B) Manner of making election. Any election specified in paragraph (e)(2)(i) of this section must be made in the manner prescribed on Form 4562, "Depreciation and Amortization," and its instructions. The election is made separately by each person owning specified plants (for example, for each member of a consolidated group by the common parent of the group, by the partnership, or by the S corporation). If Form 4562 is revised or renumbered, any reference in this section to that form shall be treated as a reference to the revised or renumbered form.

(iii) Failure to make election. If a taxpayer does not make the election specified in paragraph (e)(2)(i) of this section for a specified plant within the time and in the manner prescribed in paragraph (e)(2)(ii) of this section, the specified plant is treated as qualified property under section 168(k), assuming all requirements are met, in the taxable year in which such plant is placed in service by the taxpayer. Thus, any election specified in paragraph (e)(2)(i) of this section shall not be made by the taxpayer in any other manner (for example, the election cannot be made through a request under section 446(e) to change the taxpayer's method of accounting).

(3) Election for qualified property placed in service during the 2017 taxable year--

(i) In general. A taxpayer may make an election to deduct 50 percent, instead of 100 percent, additional first year depreciation for all qualified property acquired after September 27, 2017, by the taxpayer and placed in service by the taxpayer during its taxable year that includes September 28, 2017. If a taxpayer makes an election to apply section 168(k)(5) for its taxable year that includes September 28, 2017, the

taxpayer also may make an election to deduct 50 percent, instead of 100 percent, additional first year depreciation for all specified plants that are planted, or grafted to a plant that has already been planted, after September 27, 2017, by the taxpayer in the ordinary course of the taxpayer's farming business during such taxable year.

(ii) Time and manner for making election--(A) Time for making election. Any election specified in paragraph (e)(3)(i) of this section must be made by the due date, including extensions, of the Federal tax return for the taxpayer's taxable year that includes September 28, 2017.

(B) Manner of making election. Any election specified in paragraph (e)(3)(i) of this section must be made in the manner prescribed on the 2017 Form 4562, "Depreciation and Amortization," and its instructions. The election is made separately by each person owning qualified property (for example, for each member of a consolidated group by the common parent of the group, by the partnership, or by the S corporation).

(iii) Failure to make election. If a taxpayer does not make the election specified in paragraph (e)(3)(i) of this section within the time and in the manner prescribed in paragraph (e)(3)(ii) of this section, the amount of depreciation allowable for qualified property under section 167(f)(1) or 168, as applicable, acquired and placed in service, or planted or grafted, as applicable, by the taxpayer after September 27, 2017, must be determined for the taxable year that includes September 28, 2017, and for all subsequent taxable years by taking into account the 100-percent additional first year depreciation deduction, unless the taxpayer makes the election specified in paragraph (e)(1)(i) of this section within the time and in the manner prescribed in paragraph

(e)(1)(iii) of this section for the class of property in which the qualified property is included. Thus, any election specified in paragraph (e)(3)(i) of this section shall not be made by the taxpayer in any other manner (for example, the election cannot be made through a request under section 446(e) to change the taxpayer's method of accounting).

(4) Alternative minimum tax. If a taxpayer makes an election specified in paragraph (e)(1) of this section for a class of property or in paragraph (e)(2) of this section for a specified plant, the depreciation adjustments under section 56 and the regulations under section 56 do not apply to the property or specified plant, as applicable, to which that election applies for purposes of computing the taxpayer's alternative minimum taxable income. If a taxpayer makes an election specified in paragraph (e)(3) of this section for all qualified property, see paragraphs (d)(1)(iv) and (d)(2)(ii) of this section.

(5) Revocation of election—(i) In general. Except as provided in paragraph (e)(5)(ii) of this section, an election specified in this paragraph (e), once made, may be revoked only by filing a request for a private letter ruling and obtaining the Commissioner of Internal Revenue's written consent to revoke the election. The Commissioner may grant a request to revoke the election if the taxpayer acted reasonably and in good faith, and the revocation will not prejudice the interests of the Government. See generally §301.9100-3 of this chapter. An election specified in this paragraph (e) may not be revoked through a request under section 446(e) to change the taxpayer's method of accounting.

(ii) Automatic 6-month extension. If a taxpayer made an election specified in this paragraph (e), an automatic extension of 6 months from the due date of the taxpayer's

Federal tax return, excluding extensions, for the placed-in-service year or the taxable year in which the specified plant is planted or grafted, as applicable, is granted to revoke that election, provided the taxpayer timely filed the taxpayer's Federal tax return for the placed-in-service year or the taxable year in which the specified plant is planted or grafted, as applicable, and, within this 6-month extension period, the taxpayer, and all taxpayers whose tax liability would be affected by the election, file an amended Federal tax return for the placed-in-service year or the taxable year in which the specified plant is planted or grafted, as applicable, in a manner that is consistent with the revocation of the election.

(f) Special rules--(1) Property placed in service and disposed of in the same taxable year--(i) In general. Except as provided in paragraphs (f)(1)(ii) and (iii) of this section, the additional first year depreciation deduction is not allowed for qualified property placed in service or planted or grafted, as applicable, and disposed of during the same taxable year. Also if qualified property is placed in service and disposed of during the same taxable year and then reacquired and again placed in service in a subsequent taxable year, the additional first year depreciation deduction is not allowable for the property in the subsequent taxable year.

(ii) Technical termination of a partnership. In the case of a technical termination of a partnership under section 708(b)(1)(B) in a taxable year beginning before January 1, 2018, the additional first year depreciation deduction is allowable for any qualified property placed in service or planted or grafted, as applicable, by the terminated partnership during the taxable year of termination and contributed by the terminated partnership to the new partnership. The allowable additional first year depreciation

deduction for the qualified property shall not be claimed by the terminated partnership but instead shall be claimed by the new partnership for the new partnership's taxable year in which the qualified property was contributed by the terminated partnership to the new partnership. However, if qualified property is both placed in service or planted or grafted, as applicable, and contributed to a new partnership in a transaction described in section 708(b)(1)(B) by the terminated partnership during the taxable year of termination, and if such property is disposed of by the new partnership in the same taxable year the new partnership received such property from the terminated partnership, then no additional first year depreciation deduction is allowable to either partnership.

(iii) Section 168(i)(7) transactions. If any qualified property is transferred in a transaction described in section 168(i)(7) in the same taxable year that the qualified property is placed in service or planted or grafted, as applicable, by the transferor, the additional first year depreciation deduction is allowable for the qualified property. The allowable additional first year depreciation deduction for the qualified property for the transferor's taxable year in which the property is placed in service or planted or grafted, as applicable, is allocated between the transferor and the transferee on a monthly basis. This allocation shall be made in accordance with the rules in §1.168(d)-1(b)(7)(ii) for allocating the depreciation deduction between the transferor and the transferee. However, solely for purposes of this section, if the qualified property is transferred in a section 721(a) transaction to a partnership that has as a partner a person, other than the transferor, who previously had a depreciable interest in the qualified property, in the same taxable year that the qualified property is placed in service or planted or grafted,

as applicable, by the transferor, the allowable additional first year depreciation deduction is allocated entirely to the transferor, and not to the partnership. Additionally, if qualified property is both placed in service or planted or grafted, as applicable, and transferred in a transaction described in section 168(i)(7) by the transferor during the same taxable year, and if such property is disposed of by the transferee, other than by a transaction described in section 168(i)(7), during the same taxable year the transferee received such property from the transferor, then no additional first year depreciation deduction is allowable to either party.

(iv) Examples. The application of this paragraph (f)(1) is illustrated by the following examples:

Example 1. UU and VV are equal partners in Partnership JL, a general partnership. Partnership JL is a calendar-year taxpayer. On October 1, 2017, Partnership JL purchased and placed in service qualified property at a cost of \$30,000. On November 1, 2017, UU sells its entire 50 percent interest to WW in a transfer that terminates the partnership under section 708(b)(1)(B). As a result, terminated Partnership JL is deemed to have contributed the qualified property to new Partnership JL. Pursuant to paragraph (f)(1)(ii) of this section, new Partnership JL, not terminated Partnership JL, is eligible to claim the 100-percent additional first year depreciation deduction allowable for the qualified property for the taxable year 2017, assuming all other requirements are met.

Example 2. On January 5, 2018, XX purchased and placed in service qualified property for a total amount of \$9,000. On August 20, 2018, XX transferred this qualified property to Partnership BC in a transaction described in section 721(a). No other partner of Partnership BC has ever had a depreciable interest in the qualified property. XX and Partnership BC are calendar-year taxpayers. Because the transaction between XX and Partnership BC is a transaction described in section 168(i)(7), pursuant to paragraph (f)(1)(iii) of this section, the 100-percent additional first year depreciation deduction allowable for the qualified property is allocated between XX and Partnership BC in accordance with the rules in §1.168(d)-1(b)(7)(ii) for allocating the depreciation deduction between the transferor and the transferee. Accordingly, the 100-percent additional first year depreciation deduction allowable of \$9,000 for the qualified property for 2018 is allocated between XX and Partnership BC based on the number of months that XX and Partnership BC held the qualified property in service during 2018. Thus, because the qualified property was held in service by XX for 7 of 12 months, which includes the month in which XX placed the qualified property in service but does not

include the month in which the qualified property was transferred, XX is allocated \$5,250 ($\frac{7}{12} \times \$9,000$ additional first year depreciation deduction). Partnership BC is allocated \$3,750, the remaining $\frac{5}{12}$ of the \$9,000 additional first year depreciation deduction allowable for the qualified property.

(2) Redetermination of basis. If the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3), of qualified property is redetermined (for example, due to contingent purchase price or discharge of indebtedness) before January 1, 2027, or in the case of property described in section 168(k)(2)(B) or (C), is redetermined before January 1, 2028, the additional first year depreciation deduction allowable for the qualified property is redetermined as follows:

(i) Increase in basis. For the taxable year in which an increase in basis of qualified property occurs, the taxpayer shall claim an additional first year depreciation deduction for qualified property by multiplying the amount of the increase in basis for this property by the applicable percentage for the taxable year in which the underlying property was placed in service by the taxpayer. For purposes of this paragraph (f)(2)(i), the additional first year depreciation deduction applies to the increase in basis only if the underlying property is qualified property. To determine the amount otherwise allowable as a depreciation deduction for the increase in basis of qualified property, the amount of the increase in basis of the qualified property must be reduced by the additional first year depreciation deduction allowed or allowable, whichever is greater, for the increase in basis and the remaining increase in basis of--

(A) Qualified property, except for computer software described in paragraph (b)(2)(i)(B) of this section, is depreciated over the recovery period of the qualified property remaining as of the beginning of the taxable year in which the increase in basis occurs, and using the same depreciation method and convention applicable to the

qualified property that applies for the taxable year in which the increase in basis occurs;
and

(B) Computer software, as defined in paragraph (b)(2)(i)(B) of this section, that is qualified property is depreciated ratably over the remainder of the 36-month period, the useful life under section 167(f)(1), as of the beginning of the first day of the month in which the increase in basis occurs.

(ii) Decrease in basis. For the taxable year in which a decrease in basis of qualified property occurs, the taxpayer shall reduce the total amount otherwise allowable as a depreciation deduction for all of the taxpayer's depreciable property by the excess additional first year depreciation deduction previously claimed for the qualified property. If, for such taxable year, the excess additional first year depreciation deduction exceeds the total amount otherwise allowable as a depreciation deduction for all of the taxpayer's depreciable property, the taxpayer shall take into account a negative depreciation deduction in computing taxable income. The excess additional first year depreciation deduction for qualified property is determined by multiplying the amount of the decrease in basis for this property by the applicable percentage for the taxable year in which the underlying property was placed in service by the taxpayer. For purposes of this paragraph (f)(2)(ii), the additional first year depreciation deduction applies to the decrease in basis only if the underlying property is qualified property. Also, if the taxpayer establishes by adequate records or other sufficient evidence that the taxpayer claimed less than the additional first year depreciation deduction allowable for the qualified property before the decrease in basis, or if the taxpayer claimed more than the additional first year depreciation deduction allowable for the qualified property

before the decrease in basis, the excess additional first year depreciation deduction is determined by multiplying the amount of the decrease in basis by the additional first year depreciation deduction percentage actually claimed by the taxpayer for the qualified property before the decrease in basis. To determine the amount to reduce the total amount otherwise allowable as a depreciation deduction for all of the taxpayer's depreciable property for the excess depreciation previously claimed, other than the additional first year depreciation deduction, resulting from the decrease in basis of the qualified property, the amount of the decrease in basis of the qualified property must be adjusted by the excess additional first year depreciation deduction that reduced the total amount otherwise allowable as a depreciation deduction, as determined under this paragraph (f)(2)(ii), and the remaining decrease in basis of--

(A) Qualified property, except for computer software described in paragraph (b)(2)(i)(B) of this section, reduces the amount otherwise allowable as a depreciation deduction over the recovery period of the qualified property remaining as of the beginning of the taxable year in which the decrease in basis occurs, and using the same depreciation method and convention of the qualified property that applies in the taxable year in which the decrease in basis occurs. If, for any taxable year, the reduction to the amount otherwise allowable as a depreciation deduction, as determined under this paragraph (f)(2)(ii)(A), exceeds the total amount otherwise allowable as a depreciation deduction for all of the taxpayer's depreciable property, the taxpayer shall take into account a negative depreciation deduction in computing taxable income; and

(B) Computer software, as defined in paragraph (b)(2)(i)(B) of this section, that is qualified property reduces the amount otherwise allowable as a depreciation deduction

over the remainder of the 36-month period, the useful life under section 167(f)(1), as of the beginning of the first day of the month in which the decrease in basis occurs. If, for any taxable year, the reduction to the amount otherwise allowable as a depreciation deduction, as determined under this paragraph (f)(2)(ii)(B), exceeds the total amount otherwise allowable as a depreciation deduction for all of the taxpayer's depreciable property, the taxpayer shall take into account a negative depreciation deduction in computing taxable income.

(iii) Definitions. Except as otherwise expressly provided by the Internal Revenue Code (for example, section 1017(a)), the regulations under the Internal Revenue Code, or other guidance published in the Internal Revenue Bulletin for purposes of this paragraph (f)(2)--

(A) An increase in basis occurs in the taxable year an amount is taken into account under section 461; and

(B) A decrease in basis occurs in the taxable year an amount would be taken into account under section 451.

(iv) Examples. The application of this paragraph (f)(2) is illustrated by the following examples:

Example 1. (i) On May 15, 2023, YY, a cash-basis taxpayer, purchased and placed in service qualified property that is 5-year property at a cost of \$200,000. In addition to the \$200,000, YY agrees to pay the seller 25 percent of the gross profits from the operation of the property in 2023. On May 15, 2024, YY paid to the seller an additional \$10,000. YY depreciates the 5-year property placed in service in 2023 using the optional depreciation table that corresponds with the general depreciation system, the 200-percent declining balance method, a 5-year recovery period, and the half-year convention.

(ii) For 2023, YY is allowed an 80-percent additional first year depreciation deduction of \$160,000 (the unadjusted depreciable basis of \$200,000 multiplied by 0.80). In addition, YY's depreciation deduction for 2023 for the remaining adjusted

depreciable basis of \$40,000 (the unadjusted depreciable basis of \$200,000 reduced by the additional first year depreciation deduction of \$160,000) is \$8,000 (the remaining adjusted depreciable basis of \$40,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

(iii) For 2024, YY's depreciation deduction for the remaining adjusted depreciable basis of \$40,000 is \$12,800 (the remaining adjusted depreciable basis of \$40,000 multiplied by the annual depreciation rate of 0.32 for recovery year 2). In addition, pursuant to paragraph (f)(2)(i) of this section, YY is allowed an additional first year depreciation deduction for 2024 for the \$10,000 increase in basis of the qualified property. Consequently, YY is allowed an additional first year depreciation deduction of \$8,000 (the increase in basis of \$10,000 multiplied by 0.80, the applicable percentage for 2023). Also, YY is allowed a depreciation deduction for 2024 attributable to the remaining increase in basis of \$2,000 (the increase in basis of \$10,000 reduced by the additional first year depreciation deduction of \$8,000). The depreciation deduction allowable for 2024 attributable to the remaining increase in basis of \$2,000 is \$889 (the remaining increase in basis of \$2,000 multiplied by 0.4444, which is equal to $1/\text{remaining recovery period of 4.5 years at January 1, 2024, multiplied by 2}$). Accordingly, for 2024, YY's total depreciation deduction allowable for the qualified property is \$21,689 (\$12,800 plus \$8,000 plus \$889).

Example 2. (i) On May 15, 2023, ZZ, a calendar-year taxpayer, purchased and placed in service qualified property that is 5-year property at a cost of \$400,000. To purchase the property, ZZ borrowed \$250,000 from Bank1. On May 15, 2024, Bank1 forgives \$50,000 of the indebtedness. ZZ makes the election provided in section 108(b)(5) to apply any portion of the reduction under section 1017 to the basis of the depreciable property of the taxpayer. ZZ depreciates the 5-year property placed in service in 2023 using the optional depreciation table that corresponds with the general depreciation system, the 200-percent declining balance method, a 5-year recovery period, and the half-year convention.

(ii) For 2023, ZZ is allowed an 80-percent additional first year depreciation deduction of \$320,000 (the unadjusted depreciable basis of \$400,000 multiplied by 0.80). In addition, ZZ's depreciation deduction allowable for 2023 for the remaining adjusted depreciable basis of \$80,000 (the unadjusted depreciable basis of \$400,000 reduced by the additional first year depreciation deduction of \$320,000) is \$16,000 (the remaining adjusted depreciable basis of \$80,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

(iii) For 2024, ZZ's deduction for the remaining adjusted depreciable basis of \$80,000 is \$25,600 (the remaining adjusted depreciable basis of \$80,000 multiplied by the annual depreciation rate 0.32 for recovery year 2). Although Bank1 forgave the indebtedness in 2024, the basis of the property is reduced on January 1, 2025, pursuant to sections 108(b)(5) and 1017(a) under which basis is reduced at the beginning of the taxable year following the taxable year in which the discharge of indebtedness occurs.

(iv) For 2025, ZZ's deduction for the remaining adjusted depreciable basis of \$80,000 is \$15,360 (the remaining adjusted depreciable basis of \$80,000 multiplied by the annual depreciation rate 0.192 for recovery year 3). However, pursuant to paragraph (f)(2)(ii) of this section, ZZ must reduce the amount otherwise allowable as a depreciation deduction for 2025 by the excess depreciation previously claimed for the \$50,000 decrease in basis of the qualified property. Consequently, ZZ must reduce the amount of depreciation otherwise allowable for 2025 by the excess additional first year depreciation of \$40,000 (the decrease in basis of \$50,000 multiplied by 0.80, the applicable percentage for 2023). Also, ZZ must reduce the amount of depreciation otherwise allowable for 2025 by the excess depreciation attributable to the remaining decrease in basis of \$10,000 (the decrease in basis of \$50,000 reduced by the excess additional first year depreciation of \$40,000). The reduction in the amount of depreciation otherwise allowable for 2025 for the remaining decrease in basis of \$10,000 is \$5,714 (the remaining decrease in basis of \$10,000 multiplied by 0.5714, which is equal to $(1/\text{remaining recovery period of 3.5 years at January 1, 2025})$ multiplied by 2). Accordingly, assuming the qualified property is the only depreciable property owned by ZZ, for 2025, ZZ has a negative depreciation deduction for the qualified property of \$30,354 (\$15,360 minus \$40,000 minus \$5,714).

(3) Sections 1245 and 1250 depreciation recapture. For purposes of section 1245 and the regulations under section 1245, the additional first year depreciation deduction is an amount allowed or allowable for depreciation. Further, for purposes of section 1250(b) and the regulations under section 1250(b), the additional first year depreciation deduction is not a straight line method.

(4) Coordination with section 169. The additional first year depreciation deduction is allowable in the placed-in-service year of a certified pollution control facility, as defined in §1.169-2(a), that is qualified property even if the taxpayer makes the election to amortize the certified pollution control facility under section 169 and the regulations under section 169 in the certified pollution control facility's placed-in-service year.

(5) Like-kind exchanges and involuntary conversions--(i) Scope. The rules of this paragraph (f)(5) apply to replacement MACRS property or replacement computer software that is qualified property at the time of replacement provided the time of

replacement is after September 27, 2017, and before January 1, 2027; or, in the case of replacement MACRS property or replacement computer software that is qualified property described in section 168(k)(2)(B) or (C), the time of replacement is after September 27, 2017, and before January 1, 2028.

(ii) Definitions. For purposes of this paragraph (f)(5), the following definitions apply:

(A) Replacement MACRS property has the same meaning as that term is defined in §1.168(i)-6(b)(1).

(B) Relinquished MACRS property has the same meaning as that term is defined in §1.168(i)-6(b)(2).

(C) Replacement computer software is computer software, as defined in paragraph (b)(2)(i)(B) of this section, in the hands of the acquiring taxpayer that is acquired for other computer software in a like-kind exchange or in an involuntary conversion.

(D) Relinquished computer software is computer software that is transferred by the taxpayer in a like-kind exchange or in an involuntary conversion.

(E) Time of disposition has the same meaning as that term is defined in §1.168(i)-6(b)(3) for relinquished MACRS property. For relinquished computer software, time of disposition is when the disposition of the relinquished computer software takes place under the convention determined under §1.167(a)-14(b).

(F) Except as provided in paragraph (f)(5)(iv) of this section, the time of replacement has the same meaning as that term is defined in §1.168(i)-6(b)(4) for

replacement MACRS property. For replacement computer software, the time of replacement is, except as provided in paragraph (f)(5)(iv) of this section, the later of--

(1) When the replacement computer software is placed in service under the convention determined under §1.167(a)-14(b); or

(2) The time of disposition of the relinquished property.

(G) Exchanged basis has the same meaning as that term is defined in §1.168(i)-6(b)(7) for MACRS property, as defined in §1.168(b)-1(a)(2). For computer software, the exchanged basis is determined after the amortization deductions for the year of disposition are determined under §1.167(a)-14(b) and is the lesser of--

(1) The basis in the replacement computer software, as determined under section 1031(d) and the regulations under section 1031(d), or section 1033(b) and the regulations under section 1033(b); or

(2) The adjusted depreciable basis of the relinquished computer software.

(H) Excess basis has the same meaning as that term is defined in §1.168(i)-6(b)(8) for replacement MACRS property. For replacement computer software, the excess basis is any excess of the basis in the replacement computer software, as determined under section 1031(d) and the regulations under section 1031(d), or section 1033(b) and the regulations under section 1033(b), over the exchanged basis as determined under paragraph (f)(5)(ii)(G) of this section.

(I) Remaining exchanged basis is the exchanged basis as determined under paragraph (f)(5)(ii)(G) of this section reduced by--

(1) The percentage of such basis attributable to the taxpayer's use of property for the taxable year other than in the taxpayer's trade or business or for the production of income; and

(2) Any adjustments to basis provided by other provisions of the Code and the regulations under the Code (including section 1016(a)(2) and (3)) for periods prior to the disposition of the relinquished property.

(J) Remaining excess basis is the excess basis as determined under paragraph (f)(5)(ii)(H) of this section reduced by--

(1) The percentage of such basis attributable to the taxpayer's use of property for the taxable year other than in the taxpayer's trade or business or for the production of income;

(2) Any portion of the basis the taxpayer properly elects to treat as an expense under section 179 or 179C; and

(3) Any adjustments to basis provided by other provisions of the Code and the regulations under the Code.

(K) Year of disposition has the same meaning as that term is defined in §1.168(i)-6(b)(5).

(L) Year of replacement has the same meaning as that term is defined in §1.168(i)-6(b)(6).

(M) Like-kind exchange has the same meaning as that term is defined in §1.168(i)-6(b)(11).

(N) Involuntary conversion has the same meaning as that term is defined in §1.168(i)-6(b)(12).

(iii) Computation--(A) In general. If the replacement MACRS property or the replacement computer software, as applicable, meets the original use requirement in paragraph (b)(3)(ii) of this section and all other requirements of section 168(k) and this section, the remaining exchanged basis for the year of replacement and the remaining excess basis, if any, for the year of replacement for the replacement MACRS property or the replacement computer software, as applicable, are eligible for the additional first year depreciation deduction. If the replacement MACRS property or the replacement computer software, as applicable, meets the used property acquisition requirements in paragraph (b)(3)(iii) of this section and all other requirements of section 168(k) and this section, only the remaining excess basis for the year of replacement for the replacement MACRS property or the replacement computer software, as applicable, is eligible for the additional first year depreciation deduction. See paragraph (b)(3)(iii)(A)(3) of this section. The additional first year depreciation deduction applies to the remaining exchanged basis and any remaining excess basis, as applicable, of the replacement MACRS property or the replacement computer software, as applicable, if the time of replacement is after September 27, 2017, and before January 1, 2027; or, in the case of replacement MACRS property or replacement computer software, as applicable, described in section 168(k)(2)(B) or (C), the time of replacement is after September 27, 2017, and before January 1, 2028. The additional first year depreciation deduction is computed separately for the remaining exchanged basis and any remaining excess basis, as applicable.

(B) Year of disposition and year of replacement. The additional first year depreciation deduction is allowable for the replacement MACRS property or

replacement computer software in the year of replacement. However, the additional first year depreciation deduction is not allowable for the relinquished MACRS property or the relinquished computer software, as applicable, if the relinquished MACRS property or the relinquished computer software, as applicable, is placed in service and disposed of in a like-kind exchange or in an involuntary conversion in the same taxable year.

(C) Property described in section 168(k)(2)(B). For purposes of paragraph (f)(5)(iii)(A) of this section, the total of the remaining exchanged basis and the remaining excess basis, if any, of the replacement MACRS property that is qualified property described in section 168(k)(2)(B) and meets the original use requirement in paragraph (b)(3)(ii) of this section is limited to the total of the property's remaining exchanged basis and remaining excess basis, if any, attributable to the property's manufacture, construction, or production after September 27, 2017, and before January 1, 2027. For purposes of paragraph (f)(5)(iii)(A) of this section, the remaining excess basis, if any, of the replacement MACRS property that is qualified property described in section 168(k)(2)(B) and meets the used property acquisition requirements in paragraph (b)(3)(iii) of this section is limited to the property's remaining excess basis, if any, attributable to the property's manufacture, construction, or production after September 27, 2017, and before January 1, 2027.

(D) Effect of §1.168(i)-6(i)(1) election. If a taxpayer properly makes the election under §1.168(i)-6(i)(1) not to apply §1.168(i)-6 for any MACRS property, as defined in §1.168(b)-1(a)(2), involved in a like-kind exchange or involuntary conversion and either of the following:

(1) The replacement MACRS property meets the original use requirement in paragraph (b)(3)(ii) of this section and all other requirements of section 168(k) and this section, the total of the exchanged basis, as defined in §1.168(i)-6(b)(7), and the excess basis, as defined in §1.168(i)-6(b)(8), if any, in the replacement MACRS property is eligible for the additional first year depreciation deduction; or

(2) The replacement MACRS property meets the used property acquisition requirements in paragraph (b)(3)(iii) of this section and all other requirements of section 168(k) and this section, only the excess basis, as defined in §1.168(i)-6(b)(8), if any, in the replacement MACRS property is eligible for the additional first year depreciation deduction.

(E) Alternative minimum tax. The additional first year depreciation deduction is allowed for alternative minimum tax purposes for the year of replacement of replacement MACRS property or replacement computer software, as applicable, that is qualified property. If the replacement MACRS property or the replacement computer software, as applicable, meets the original use requirement in paragraph (b)(3)(ii) of this section and all other requirements of section 168(k) and this section, the additional first year depreciation deduction for alternative minimum tax purposes is based on the remaining exchanged basis and the remaining excess basis, if any, of the replacement MACRS property or the replacement computer software, as applicable, for alternative minimum tax purposes. If the replacement MACRS property or the replacement computer software, as applicable, meets the used property acquisition requirements in paragraph (b)(3)(iii) of this section and all other requirements of section 168(k) and this section, the additional first year depreciation deduction for alternative minimum tax

purposes is based on the remaining excess basis, if any, of the replacement MACRS property or the replacement computer software, as applicable, for alternative minimum tax purposes.

(iv) Replacement MACRS property or replacement computer software that is acquired and placed in service before disposition of relinquished MACRS property or relinquished computer software. If, in an involuntary conversion, a taxpayer acquires and places in service the replacement MACRS property or the replacement computer software, as applicable, before the time of disposition of the involuntarily converted MACRS property or the involuntarily converted computer software, as applicable; and the time of disposition of the involuntarily converted MACRS property or the involuntarily converted computer software, as applicable, is after December 31, 2026, or, in the case of property described in service 168(k)(2)(B) or (C), after December 31, 2027, then--

(A) The time of replacement for purposes of this paragraph (f)(5) is when the replacement MACRS property or replacement computer software, as applicable, is placed in service by the taxpayer, provided the threat or imminence of requisition or condemnation of the involuntarily converted MACRS property or involuntarily converted computer software, as applicable, existed before January 1, 2027, or, in the case of property described in section 168(k)(2)(B) or (C), existed before January 1, 2028; and

(B) The taxpayer depreciates the replacement MACRS property or replacement computer software, as applicable, in accordance with paragraph (d) of this section.

However, at the time of disposition of the involuntarily converted MACRS property, the taxpayer determines the exchanged basis, as defined in §1.168(i)-6(b)(7), and the excess basis, as defined in §1.168(i)-6(b)(8), of the replacement MACRS property and

begins to depreciate the depreciable exchanged basis, as defined in §1.168(i)-6(b)(9), of the replacement MACRS property in accordance with §1.168(i)-6(c). The depreciable excess basis, as defined in §1.168(i)-6(b)(10), of the replacement MACRS property continues to be depreciated by the taxpayer in accordance with the first sentence of this paragraph (f)(5)(iv)(B). Further, in the year of disposition of the involuntarily converted MACRS property, the taxpayer must include in taxable income the excess of the depreciation deductions allowable, including the additional first year depreciation deduction allowable, on the unadjusted depreciable basis of the replacement MACRS property over the additional first year depreciation deduction that would have been allowable to the taxpayer on the remaining exchanged basis of the replacement MACRS property at the time of replacement, as defined in paragraph (f)(5)(v)(A) of this section, plus the depreciation deductions that would have been allowable, including the additional first year depreciation deduction allowable, to the taxpayer on the depreciable excess basis of the replacement MACRS property from the date the replacement MACRS property was placed in service by the taxpayer, taking into account the applicable convention, to the time of disposition of the involuntarily converted MACRS property. Similar rules apply to replacement computer software.

(v) Examples. The application of this paragraph (f)(5) is illustrated by the following examples:

Example 1. (i) In April 2016, CSK, a calendar-year corporation, acquired for \$200,000 and placed in service Canopy V1, a gas station canopy. Canopy V1 is qualified property under section 168(k)(2), as in effect on the day before amendment by the Act, and is 5-year property under section 168(e). CSK depreciated Canopy V1 under the general depreciation system of section 168(a) by using the 200-percent declining balance method of depreciation, a 5-year recovery period, and the half-year convention. CSK elected to use the optional depreciation tables to compute the depreciation allowance for Canopy V1. In November 2017, Canopy V1 was destroyed

in a fire and was no longer usable in CSK's business. In December 2017, in an involuntary conversion, CSK acquired and placed in service Canopy W1 with all of the \$160,000 of insurance proceeds CSK received due to the loss of Canopy V1. Canopy W1 is qualified property under section 168(k)(2) and this section, and is 5-year property under section 168(e). Canopy W1 also meets the original use requirement in paragraph (b)(3)(ii) of this section. CSK did not make the election under §1.168(i)-6(i)(1).

(ii) For 2016, CSK is allowed a 50-percent additional first year depreciation deduction of \$100,000 for Canopy V1 (the unadjusted depreciable basis of \$200,000 multiplied by 0.50), and a regular MACRS depreciation deduction of \$20,000 for Canopy V1 (the remaining adjusted depreciable basis of \$100,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

(iii) For 2017, CSK is allowed a regular MACRS depreciation deduction of \$16,000 for Canopy V1 (the remaining adjusted depreciable basis of \$100,000 multiplied by the annual depreciation rate of 0.32 for recovery year $2 \times \frac{1}{2}$ year).

(iv) Pursuant to paragraph (f)(5)(iii)(A) of this section, the additional first year depreciation deduction allowable for Canopy W1 for 2017 equals \$64,000 (100 percent of Canopy W1's remaining exchanged basis at the time of replacement of \$64,000 (Canopy V1's remaining adjusted depreciable basis of \$100,000 minus 2016 regular MACRS depreciation deduction of \$20,000 minus 2017 regular MACRS depreciation deduction of \$16,000)).

Example 2. (i) The facts are the same as in Example 1 of this paragraph (f)(5)(v), except CSK elected not to deduct the additional first year depreciation for 5-year property placed in service in 2016. CSK deducted the additional first year depreciation for 5-year property placed in service in 2017.

(ii) For 2016, CSK is allowed a regular MACRS depreciation deduction of \$40,000 for Canopy V1 (the unadjusted depreciable basis of \$200,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

(iii) For 2017, CSK is allowed a regular MACRS depreciation deduction of \$32,000 for Canopy V1 (the unadjusted depreciable basis of \$200,000 multiplied by the annual depreciation rate of 0.32 for recovery year $2 \times \frac{1}{2}$ year).

(iv) Pursuant to paragraph (f)(5)(iii)(A) of this section, the additional first year depreciation deduction allowable for Canopy W1 for 2017 equals \$128,000 (100 percent of Canopy W1's remaining exchanged basis at the time of replacement of \$128,000 (Canopy V1's unadjusted depreciable basis of \$200,000 minus 2016 regular MACRS depreciation deduction of \$40,000 minus 2017 regular MACRS depreciation deduction of \$32,000)).

Example 3. The facts are the same as in Example 1 of this paragraph (f)(5)(v), except Canopy W1 meets the used property acquisition requirements in paragraph

(b)(3)(iii) of this section. Because the remaining excess basis of Canopy W1 is zero, CSK is not allowed any additional first year depreciation for Canopy W1 pursuant to paragraph (f)(5)(iii)(A) of this section.

Example 4. (i) In December 2016, AB, a calendar-year corporation, acquired for \$10,000 and placed in service Computer X2. Computer X2 is qualified property under section 168(k)(2), as in effect on the day before amendment by the Act, and is 5-year property under section 168(e). AB depreciated Computer X2 under the general depreciation system of section 168(a) by using the 200-percent declining balance method of depreciation, a 5-year recovery period, and the half-year convention. AB elected to use the optional depreciation tables to compute the depreciation allowance for Computer X2. In November 2017, AB acquired Computer Y2 by exchanging Computer X2 and \$1,000 cash in a like-kind exchange. Computer Y2 is qualified property under section 168(k)(2) and this section, and is 5-year property under section 168(e). Computer Y2 also meets the original use requirement in paragraph (b)(3)(ii) of this section. AB did not make the election under §1.168(i)-6(i)(1).

(ii) For 2016, AB is allowed a 50-percent additional first year depreciation deduction of \$5,000 for Computer X2 (unadjusted basis of \$10,000 multiplied by 0.50), and a regular MACRS depreciation deduction of \$1,000 for Computer X2 (the remaining adjusted depreciable basis of \$5,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

(iii) For 2017, AB is allowed a regular MACRS depreciation deduction of \$800 for Computer X2 (the remaining adjusted depreciable basis of \$5,000 multiplied by the annual depreciation rate of 0.32 for recovery year $2 \times \frac{1}{2}$ year).

(iv) Pursuant to paragraph (f)(5)(iii)(A) of this section, the 100-percent additional first year depreciation deduction for Computer Y2 for 2017 is allowable for the remaining exchanged basis at the time of replacement of \$3,200 (Computer X2's unadjusted depreciable basis of \$10,000 minus additional first year depreciation deduction allowable of \$5,000 minus the 2016 regular MACRS depreciation deduction of \$1,000 minus the 2017 regular MACRS depreciation deduction of \$800) and for the remaining excess basis at the time of replacement of \$1,000 (cash paid for Computer Y2). Thus, the 100-percent additional first year depreciation deduction allowable for Computer Y2 totals \$4,200 for 2017.

Example 5. (i) In July 2017, BC, a calendar-year corporation, acquired for \$20,000 and placed in service Equipment X3. Equipment X3 is qualified property under section 168(k)(2), as in effect on the day before amendment by the Act, and is 5-year property under section 168(e). BC depreciated Equipment X3 under the general depreciation system of section 168(a) by using the 200-percent declining balance method of depreciation, a 5-year recovery period, and the half-year convention. BC elected to use the optional depreciation tables to compute the depreciation allowance for Equipment X3. In December 2017, BC acquired Equipment Y3 by exchanging Equipment X3 and \$5,000 cash in a like-kind exchange. Equipment Y3 is qualified

property under section 168(k)(2) and this section, and is 5-year property under section 168(e). Equipment Y3 also meets the used property acquisition requirements in paragraph (b)(3)(iii) of this section. BC did not make the election under §1.168(i)-6(i)(1).

(ii) Pursuant to §1.168(k)-1(f)(5)(iii)(B), no additional first year depreciation deduction is allowable for Equipment X3 and, pursuant to §1.168(d)-1(b)(3)(ii), no regular depreciation deduction is allowable for Equipment X3, for 2017.

(iii) Pursuant to paragraph (f)(5)(iii)(A) of this section, no additional first year depreciation deduction is allowable for Equipment Y3's remaining exchanged basis at the time of replacement of \$20,000 (Equipment X3's unadjusted depreciable basis of \$20,000). However, pursuant to paragraph (f)(5)(iii)(A) of this section, the 100-percent additional first year depreciation deduction is allowable for Equipment Y3's remaining excess basis at the time of replacement of \$5,000 (cash paid for Equipment Y3). Thus, the 100-percent additional first year depreciation deduction allowable for Equipment Y3 is \$5,000 for 2017.

Example 6. (i) The facts are the same as in Example 5 of this paragraph (f)(5)(v), except BC properly makes the election under §1.168(i)-6(i)(1) not to apply §1.168(i)-6 to Equipment X3 and Equipment Y3.

(ii) Pursuant to §1.168(k)-1(f)(5)(iii)(B), no additional first year depreciation deduction is allowable for Equipment X3 and, pursuant to §1.168(d)-1(b)(3)(ii), no regular depreciation deduction is allowable for Equipment X3, for 2017.

(iii) Pursuant to §1.168(i)-6(i)(1), BC is treated as placing Equipment Y3 in service in December 2017 with a basis of \$25,000 (the total of the exchanged basis of \$20,000 and the excess basis of \$5,000). However, pursuant to paragraph (f)(5)(iii)(D)(2) of this section, the 100-percent additional first year depreciation deduction is allowable only for Equipment Y3's excess basis at the time of replacement of \$5,000 (cash paid for Equipment Y3). Thus, the 100-percent additional first year depreciation deduction allowable for Equipment Y3 is \$5,000 for 2017.

(6) Change in use--(i) Change in use of depreciable property. The determination of whether the use of depreciable property changes is made in accordance with section 168(i)(5) and §1.168(i)-4.

(ii) Conversion to personal use. If qualified property is converted from business or income-producing use to personal use in the same taxable year in which the property is placed in service by a taxpayer, the additional first year depreciation deduction is not allowable for the property.

(iii) Conversion to business or income-producing use--(A) During the same taxable year. If, during the same taxable year, property is acquired by a taxpayer for personal use and is converted by the taxpayer from personal use to business or income-producing use, the additional first year depreciation deduction is allowable for the property in the taxable year the property is converted to business or income-producing use, assuming all of the requirements in paragraph (b) of this section are met. See paragraph (b)(3)(ii) of this section relating to the original use rules for a conversion of property to business or income-producing use.

(B) Subsequent to the acquisition year. If property is acquired by a taxpayer for personal use and, during a subsequent taxable year, is converted by the taxpayer from personal use to business or income-producing use, the additional first year depreciation deduction is allowable for the property in the taxable year the property is converted to business or income-producing use, assuming all of the requirements in paragraph (b) of this section are met. For purposes of paragraphs (b)(4) and (5) of this section, the property must be acquired by the taxpayer for personal use after September 27, 2017, and converted by the taxpayer from personal use to business or income-producing use by January 1, 2027. See paragraph (b)(3)(ii) of this section relating to the original use rules for a conversion of property to business or income-producing use.

(iv) Depreciable property changes use subsequent to the placed-in-service year--

(A) If the use of qualified property changes in the hands of the same taxpayer subsequent to the taxable year the qualified property is placed in service and, as a result of the change in use, the property is no longer qualified property, the additional first year depreciation deduction allowable for the qualified property is not redetermined.

(B) If depreciable property is not qualified property in the taxable year the property is placed in service by the taxpayer, the additional first year depreciation deduction is not allowable for the property even if a change in the use of the property subsequent to the taxable year the property is placed in service results in the property being qualified property in the taxable year of the change in use.

(v) Examples. The application of this paragraph (f)(6) is illustrated by the following examples:

Example 1. (i) On January 1, 2019, FFF, a calendar year corporation, purchased and placed in service several new computers at a total cost of \$100,000. FFF used these computers within the United States for 3 months in 2019 and then moved and used the computers outside the United States for the remainder of 2019. On January 1, 2020, FFF permanently returns the computers to the United States for use in its business.

(ii) For 2019, the computers are considered as used predominantly outside the United States in 2019 pursuant to §1.48-1(g)(1)(i). As a result, the computers are required to be depreciated under the alternative depreciation system of section 168(g). Pursuant to paragraph (b)(2)(ii)(B) of this section, the computers are not qualified property in 2019, the placed-in-service year. Thus, pursuant to paragraph (f)(6)(iv)(B) of this section, no additional first year depreciation deduction is allowed for these computers, regardless of the fact that the computers are permanently returned to the United States in 2020.

Example 2. (i) On February 8, 2023, GGG, a calendar year corporation, purchased and placed in service new equipment at a cost of \$1,000,000 for use in its California plant. The equipment is 5-year property under section 168(e) and is qualified property under section 168(k). GGG depreciates its 5-year property placed in service in 2023 using the optional depreciation table that corresponds with the general depreciation system, the 200-percent declining balance method, a 5-year recovery period, and the half-year convention. On June 4, 2024, due to changes in GGG's business circumstances, GGG permanently moves the equipment to its plant in Mexico.

(ii) For 2023, GGG is allowed an 80-percent additional first year depreciation deduction of \$800,000 (the adjusted depreciable basis of \$1,000,000 multiplied by 0.80). In addition, GGG's depreciation deduction allowable in 2023 for the remaining adjusted depreciable basis of \$200,000 (the unadjusted depreciable basis of \$1,000,000 reduced by the additional first year depreciation deduction of \$800,000) is \$40,000 (the remaining adjusted depreciable basis of \$200,000 multiplied by the annual depreciation rate of 0.20 for recovery year 1).

(iii) For 2024, the equipment is considered as used predominantly outside the United States pursuant to §1.48-1(g)(1)(i). As a result of this change in use, the adjusted depreciable basis of \$160,000 for the equipment is required to be depreciated under the alternative depreciation system of section 168(g) beginning in 2024. However, the additional first year depreciation deduction of \$800,000 allowed for the equipment in 2023 is not redetermined.

(7) Earnings and profits. The additional first year depreciation deduction is not allowable for purposes of computing earnings and profits.

(8) Limitation of amount of depreciation for certain passenger automobiles. For a passenger automobile as defined in section 280F(d)(5), the limitation under section 280F(a)(1)(A)(i) is increased by \$8,000 for qualified property acquired and placed in service by a taxpayer after September 27, 2017.

(9) Coordination with section 47—(i) In general. If qualified rehabilitation expenditures, as defined in section 47(c)(2) and §1.48-12(c), incurred by a taxpayer with respect to a qualified rehabilitated building, as defined in section 47(c)(1) and §1.48-12(b), are qualified property, the taxpayer may claim the rehabilitation credit provided by section 47(a), provided the requirements of section 47 are met--

(A) With respect to the portion of the basis of the qualified rehabilitated building that is attributable to the qualified rehabilitation expenditures if the taxpayer makes the applicable election under paragraph (e)(1)(i) of this section not to deduct any additional first year depreciation for the class of property that includes the qualified rehabilitation expenditures; or

(B) With respect to the portion of the remaining rehabilitated basis of the qualified rehabilitated building that is attributable to the qualified rehabilitation expenditures if the taxpayer claims the additional first year depreciation deduction on

the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3) but before the reduction in basis for the amount of the rehabilitation credit, of the qualified rehabilitation expenditures; and the taxpayer depreciates the remaining adjusted depreciable basis, as defined in paragraph (d)(2)(i) of this section, of such expenditures using straight line cost recovery in accordance with section 47(c)(2)(B)(i) and §1.48-12(c)(7)(i). For purposes of this paragraph (f)(9)(i)(B), the remaining rehabilitated basis is equal to the unadjusted depreciable basis, as defined in §1.168(b)-1(a)(3) but before the reduction in basis for the amount of the rehabilitation credit, of the qualified rehabilitation expenditures that are qualified property reduced by the additional first year depreciation allowed or allowable, whichever is greater.

(ii) Example. The application of this paragraph (f)(9) is illustrated by the following example:

Example. (i) Between February 8, 2023, and June 4, 2023, JM, a calendar-year taxpayer, incurred qualified rehabilitation expenditures of \$200,000 with respect to a qualified rehabilitated building that is nonresidential real property under section 168(e). These qualified rehabilitation expenditures are qualified property and qualify for the 20-percent rehabilitation credit under section 47(a)(1). JM's basis in the qualified rehabilitated building is zero before incurring the qualified rehabilitation expenditures and JM placed the qualified rehabilitated building in service in July 2023. JM depreciates its nonresidential real property placed in service in 2023 under the general depreciation system of section 168(a) by using the straight line method of depreciation, a 39-year recovery period, and the mid-month convention. JM elected to use the optional depreciation tables to compute the depreciation allowance for its depreciable property placed in service in 2023. Further, for 2023, JM did not make any election under paragraph (e) of this section.

(ii) Because JM did not make any election under paragraph (e) of this section, JM is allowed an 80-percent additional first year depreciation deduction of \$160,000 for the qualified rehabilitation expenditures for 2023 (the unadjusted depreciable basis of \$200,000 (before reduction in basis for the rehabilitation credit) multiplied by 0.80). JM also is allowed to claim a rehabilitation credit of \$8,000 for the remaining rehabilitated basis of \$40,000 (the unadjusted depreciable basis (before reduction in basis for the rehabilitation credit) of \$200,000 less the additional first year depreciation deduction of \$160,000, multiplied by 0.20 to calculate the rehabilitation credit). For 2023, the ratable

share of the rehabilitation credit of \$8,000 is \$1,600. Further, JM's depreciation deduction for 2023 for the remaining adjusted depreciable basis of \$32,000 (the unadjusted depreciable basis (before reduction in basis for the rehabilitation credit) of \$200,000 less the additional first year depreciation deduction of \$160,000 less the rehabilitation credit of \$8,000) is \$376.64 (the remaining adjusted depreciable basis of \$32,000 multiplied by the depreciation rate of 0.01177 for recovery year 1, placed in service in month 7).

(10) Coordination with section 514(a)(3). The additional first year depreciation deduction is not allowable for purposes of section 514(a)(3).

(g) Applicability dates--(1) In general. Except as provided in paragraph (g)(2) of this section, the rules of this section apply to--

(i) Qualified property under section 168(k)(2) that is placed in service by the taxpayer during or after the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**; and

(ii) A specified plant for which the taxpayer properly made an election to apply section 168(k)(5) and that is planted, or grafted to a plant that was previously planted, by the taxpayer during or after the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

(2) Early application. A taxpayer may rely on the provisions of this section in these proposed regulations for--

(i) Qualified property under section 168(k)(2) acquired and placed in service after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes the

date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**; and

(ii) A specified plant for which the taxpayer properly made an election to apply section 168(k)(5) and that is planted, or grafted to a plant that was previously planted, after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Par. 10. Section 1.169-3 is amended by adding a sentence at the end of paragraph (a) and adding two sentences at the end of paragraph (g) to read as follows:

§1.169-3 Amortizable basis.

(a) * * * .Further, before computing the amortization deduction allowable under section 169, the adjusted basis for purposes of determining gain for a facility that is acquired and placed in service after September 27, 2017, and that is qualified property under section 168(k), as amended by the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)) (the "Act"), or §1.168(k)-2, must be reduced by the amount of the additional first year depreciation deduction allowed or allowable, whichever is greater, under section 168(k), as amended by the Act.

* * * * *

(g) * * * The last sentence of paragraph (a) of this section applies to a certified pollution control facility that is qualified property under section 168(k)(2) and placed in service by a taxpayer during or after the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the

Federal Register. However, a taxpayer may rely on the last sentence in paragraph (a) of this section in these proposed regulations for a certified pollution control facility that is qualified property under section 168(k)(2) and acquired and placed in service after September 27, 2017, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register.**

Par. 11. Section 1.179-4 is amended by revising paragraph (c)(2) to read as follows:

§1.179-4 Definitions.

* * * * *

(c) * * *

(2) Property deemed to have been acquired by a new target corporation as a result of a section 338 election (relating to certain stock purchases treated as asset acquisitions) or a section 336(e) election (relating to certain stock dispositions treated as asset transfers) will be considered acquired by purchase.

* * * * *

Par. 12. Section 1.179-6 is amended by revising the first sentence in paragraph (a) and adding paragraph (e) to read as follows:

§1.179-6 Effective/applicability dates.

(a) * * * Except as provided in paragraphs (b), (c), (d), and (e) of this section, the provisions of §§1.179-1 through 1.179-5 apply for property placed in service by the taxpayer in taxable years ending after January 25, 1993. * * *

* * * * *

(e) Application of §1.179-4(c)(2)-(1) In general. Except as provided in paragraph (e)(2) of this section, the provisions of §1.179-4(c)(2) relating to section 336(e) are applicable on or after the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

(2) Early application. A taxpayer may rely on the provisions of §1.179-4(c)(2) relating to section 336(e) in these proposed regulations for the taxpayer's taxable years ending on or after September 28, 2017, and ending before the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Par. 13. Section 1.312-15 is amended by adding a sentence at the end of paragraph (a)(1) and adding paragraph (e) to read as follows:

§1.312-15 Effect of depreciation on earnings and profits.

(a) * * *

(1) * * * Further, see §1.168(k)-2(f)(7) with respect to the treatment of the additional first year depreciation deduction allowable under section 168(k), as amended by the Tax Cuts and Jobs Act, Public Law 115-97 (131 Stat. 2054 (December 22, 2017)), for purposes of computing the earnings and profits of a corporation.

* * * * *

(e) Applicability date of qualified property. The last sentence of paragraph (a) of this section applies to the taxpayer's taxable years ending on or after the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a taxpayer may rely on the last sentence in paragraph (a) of this section in these proposed regulations for the taxpayer's taxable years ending on

or after September 28, 2017, and ending before the taxpayer's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Par. 14. Section 1.704-1 is amended by adding two sentences at the end of paragraph (b)(1)(ii)(a) and adding a sentence at the end of paragraph (b)(2)(iv)(g)(3) to read as follows:

§ 1.704-1 Partner's distributive share.

* * * * *

(b) * * *

(1) * * *

(ii) * * *

(a) * * * The last sentence of paragraph (b)(2)(iv)(g)(3) of this section is applicable for partnership taxable years ending on or after the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a partnership may rely on the last sentence in paragraph (b)(2)(iv)(g)(3) of this section in these proposed regulations for the partnership's taxable years ending on or after September 28, 2017, and ending before the partnership's taxable year that includes the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

* * * * *

(2) * * *

(iv) * * *

(g) * * *

(3) * * * For purposes of the preceding sentence, additional first year depreciation deduction under section 168(k) is not a reasonable method.

* * * * *

Par. 15. Section 1.704-3 is amended by:

1. Adding a sentence at the end of paragraph (d)(2);
2. Revising the first sentence in paragraph (f); and
3. Adding two sentences at the end of paragraph (f).

The additions and revision read as follows:

§ 1.704-3 Contributed property.

* * * * *

(d) * * *

(2) * * * However, the additional first year depreciation deduction under section 168(k) is not a permissible method for purposes of the preceding sentence and, if a partnership has acquired property in a taxable year for which the additional first year depreciation deduction under section 168(k) has been used of the same type as the contributed property, the portion of the contributed property's book basis that exceeds its adjusted tax basis must be recovered under a reasonable method. See §1.168(k)-2(b)(3)(iv)(B).

* * * * *

(f) * * * With the exception of paragraphs (a)(1), (a)(8)(ii) and (iii), and (a)(10) and (11) of this section, and of the last sentence in paragraph (d)(2) of this section, this section applies to properties contributed to a partnership and to restatements pursuant to §1.704-1(b)(2)(iv)(f) on or after December 21, 1993. * * * The last sentence of

paragraph (d)(2) of this section applies to property contributed to a partnership on or after the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a taxpayer may rely on the last sentence in paragraph (d)(2) of this section in these proposed regulations for property contributed to a partnership on or after September 28, 2017, and ending before the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

* * * * *

Par. 16. Section 1.743-1 is amended by:

1. Adding three sentences to the end of paragraph (j)(4)(i)(B)(1) and adding two sentences at the end of paragraph (l) to read as follows:

§ 1.743-1 Optional adjustment to basis of partnership property.

* * * * *

(j) * * *

(4) * * *

(i) * * *

(B) * * *

(1) * * * Notwithstanding the above, the partnership is allowed to deduct the additional first year depreciation under section 168(k) and §1.168(k)-2 for an increase in the basis of qualified property, as defined in section 168(k) and §1.168(k)-2, under section 743(b) in a class of property, as defined in §1.168(k)-2(e)(1)(ii)(A) through (F), even if the partnership made the election under section 168(k)(7) and §1.168(k)-2(e)(1) not to deduct the additional first year depreciation for all other qualified property of the

partnership in the same class of property, as defined in §1.168(k)-2(e)(1)(ii)(A) through (F), and placed in service in the same taxable year, provided the section 743(b) basis adjustment meets all requirements of section 168(k) and §1.168(k)-2. Further, the partnership may make an election under section 168(k)(7) and §1.168(k)-2(e)(1) not to deduct the additional first year depreciation for an increase in the basis of qualified property, as defined in section 168(k) and §1.168(k)-2, under section 743(b) in a class of property, as defined in §1.168(k)-2(e)(1)(ii)(A) through (F), and placed in service in the same taxable year, even if the partnership does not make that election for all other qualified property of the partnership in the same class of property, as defined in §1.168(k)-2(e)(1)(ii)(A) through (F), and placed in service in the same taxable year. In this case, the section 743(b) basis adjustment must be recovered under a reasonable method.

* * * * *

(l) * * * The last three sentences of paragraph (j)(4)(i)(B)(1) of this section apply to transfers of partnership interests that occur on or after the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**. However, a partnership may rely on the last three sentences in paragraph (j)(4)(i)(B)(1) of this section in these proposed regulations for transfers of partnership interests that occur on or after September 28, 2017, and ending before the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Kirsten Wielobob

Deputy Commissioner for Services and Enforcement.

[FR Doc. 2018-16716 Filed: 8/3/2018 4:15 pm; Publication Date: 8/8/2018]

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-24
Page 1 of 1

REQUEST:

Refer to Atmos's response to the Attorney General's Initial Request, Item 44.e, in which Atmos indicated that it could not project the FD-NOL Credit Carryforward Utility or the Kentucky allocation of the FD-NOL Credit Carryforward-Utility through the end of the fiscal year 2020, because Atmos "no longer projects taxable income for the consolidated group ... for external financial statement audit purposes."

- a. State whether Atmos projects taxable income for any purpose such that it could project the FD-NOL Credit Carryforward-Utility as requested, regardless of whether those projections are for external financial statement audit purposes or some other purpose, and explain the basis of the response.
- b. If the response to part a. is no, state whether Atmos is able to project taxable income such that it could project the FD-NOL Credit Carryforward-Utility, and explain the basis of the response.

RESPONSE:

- a. Atmos Energy has not projected taxable income for any purpose in recent years. For purposes of evaluating whether certain credit carryforwards and federal and state net operating losses are likely to be realized, the Company is required by its financial statement auditors to prove whether the reversal of certain deferred tax liabilities would generate sufficient taxable income to result in the realization of the deferred tax asset being assessed. In some cases, the financial statement auditors request that budgeted per books income be included in this calculation. The Company obtains this information from its five year plan. The Company is not required to estimate taxable income for financial statement purposes. The Company has significant net operating loss carryforwards that will offset future tax liabilities and therefore does not need to estimate taxable income for estimated tax payment purposes.
- b. The Company could prepare a very high-level estimate of taxable income that would include many assumptions about significant tax adjustments. Since the starting point for the Company's tax adjustments is book activity, and the Company does not project future book activity at a sufficient level of detail to calculate tax adjustments, any estimate the Company attempted to prepare would lack accuracy and precision and therefore provide little value.

Respondent: Jennifer Story

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-25
Page 1 of 2

REQUEST:

Refer to Attachment 1 to Atmos's response to the Attorney General's Initial Request, Item 48.

- a. Confirm that any NOL carryforwards generated prior to the tax year ending September 30, 2008, were used in or before the tax year ending September 30, 2007, and if this cannot be confirmed, explain the basis for the response.
- b. For each of the tax years ending in 2008 through 2018, provide the amount of any deferred tax liabilities generated by timing differences in book and tax depreciation of plant in service in total and by division for all divisions represented in the utility category (as distinguished from the non-utility category) of Attachment 1, including non-jurisdictional utility divisions.

RESPONSE:

- a. Confirm.
- b. Please see confidential Attachment 1 for FXA02 - FXA02 Summary by Year and confidential Attachment 2 for Bonus Depreciation - Bonus Depreciation by Tax Year.

Please note that for financial statement purposes, plant-related investment costs are recorded and tracked by vintage. As permitted by the Uniform System of Accounts, accumulated depreciation is calculated using group depreciation rates and therefore not calculated or tracked at an individual asset level by vintage. For tax purposes, the Company tracks the cumulative difference between tax depreciation (excluding bonus depreciation) and book depreciation in the ADIT item FXA02 - Fixed Asset Depreciation. The Company tracks all other plant-related basis adjustments, including bonus depreciation, in the ADIT item FXA01 - Fixed Asset Cost. The amount included in the ADIT item FXA02 for depreciation includes both method/life differences as well as depreciation related to cost basis differences.

Confidential Attachment 1 provides the cumulative balance, by operating division, for the difference between book and tax depreciation (excluding bonus depreciation). These balances correspond to those on the Company's financial statements at each fiscal year end. Confidential Attachment 2 provides bonus depreciation deductions by operating division. These balances correspond to those on the Company's tax returns, which were filed nine months after the Company's fiscal year end. While the Company acknowledges there could be slight changes to the FXA02 balances if they were provided as of the filing of the tax return, instead of as of fiscal year end, it would be overly burdensome to calculate each of these balances for every operating division as of a date not corresponding to the fiscal year end. The Company believes that any change in the cumulative balance would be immaterial.

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
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ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-25_Att1 - FXA02 Summary by Year (CONFIDENTIAL).xlsx, 1 Page

ATTACHMENT 2 - Atmos Energy Corporation, Staff_3-25_Att2 - Bonus Depreciation by Tax Year (CONFIDENTIAL).xlsx, 1 Page.

Respondent: Jennifer Story

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-26
Page 1 of 1

REQUEST:

Describe Atmos's process for determining whether to file an application for a Certificate of Public Convenience and Necessity (CPCN) for a capital project.

RESPONSE:

Atmos Energy reviews each project to determine if it falls within the scope of KRS 278.020 or 807 KAR 5:001(15)(3). If the project involves construction of facilities, it is evaluated on whether it is a new facility or a repair or replacement of an existing facility. The cost, the need, the material impact on current financial condition of the company and the financing of the project are considered. If the project replaces or upgrades an existing facility or if it is a new project that has been determined to be necessary for expanded service or to maintain existing levels of service, it is presumed to be needed and not a wasteful duplication of an existing facility. If the project does not require specific financing or a rate adjustment and is located within Atmos' service area, so that it will not compete with other gas utilities, it is considered an ordinary project that does not need a certificate of convenience and necessity.

Respondent: Greg Smith

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-27
Page 1 of 1

REQUEST:

Identify any capital project included in the forecasted test period for which Atmos has already or will file an application for a CPCN.

RESPONSE:

Atmos Energy does not believe there are any projects included in the test period that would require a CPCN filing. Please see Attachment 1 for a list of all capital projects for FY 2019 included in the test year. All of these projects are considered ordinary. They consist primarily of upgrades to existing facilities or improvements necessary to continue to provide adequate service based on the factors discussed in the Company's response to Staff DR No. 3-26. None of the projects has a material impact on the Company's financial condition based on the current two percent of plant parameter established by the commission. For example, please see Attachment 2 for Staff Opinion 2017-005.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-27_Att1 - FY19 Capital Budget.xlsx, 3 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_3-27_Att2 - PSC Staff Opinion 2017-005.pdf, 5 Pages.

Respondent: Greg Smith

Ames Energy Corporation
Kentucky Mid-States Division
Kentucky Operations
FY 2019 Capital Budget
Case No. 2018-00281
Staff 3-27

Source: Schedule B.1.F

<Plant-In-Service 13 Month Averages> \$ 724,869,367
% of Plant-In-Service

Project Name	Budget Category	201810	201811	201812	201901	201902	201903	201904	201905	201906	201907	201908	201909	201910	Grand Total	% of Plant-In-Service	
2654 Warehouse Office Remodel	Structure	\$0	\$58,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$68,000	0.01%	
2654 Warehouse Office Remodel	System Integrity	\$93,765	\$56,613	\$92,686	\$88,824	\$97,372	\$100,763	\$152,994	\$0	\$0	\$0	\$0	\$0	\$0	\$695,015	0.10%	
2608 Abandon Taps	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2609 Abandon Harbor	System Improvement	\$612,737	\$870,153	\$2,956,222	\$1,963,526	\$1,872,082	\$1,639,111	\$1,639,111	\$1,639,111	\$21	\$10,173	\$11,495	\$16,418	\$8,948,385	\$11,996	1.19%	
2609 Bypass Hoses	Equipment	\$0	\$7,067	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,067	0.00%	
2609 Contactor Replacement	System Integrity	\$0	\$23,867	\$11,845	\$0	\$0	\$160,964	\$3,805	\$5,980	\$153,664	\$0	\$0	\$0	\$0	\$513,305	0.07%	
2609 Farm Taps FY19	System Integrity	\$32,666	\$153,073	\$153,941	\$365,106	\$161,810	\$167,507	\$364,966	\$163,082	\$158,448	\$881,594	\$160,457	\$165,124	\$2,747,655	\$3,888	0.38%	
2609 Grandview Well Workover FY18	System Integrity	\$266,358	\$274,289	\$5,923	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$546,370	0.08%	
2609 Odorant tank disposal - FY19	System Integrity	\$0	\$17,778	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,778	0.00%	
2609 Stoneboro Methanol Pumps	Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2609 Wescor 6" Exposure	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$28,872	\$62,888	\$64,788	\$28,470	\$0	\$0	\$117,667	0.01%	
2612 Electronic Corrector Replacement KY	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$44,061	\$0	\$0	\$0	\$0	\$44,061	0.01%	
2612 Emergency Regulator Replacement KY	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2612 Gas Supply RTU Installs	System Improvement	\$56,508	\$0	\$0	\$0	\$0	\$0	\$34,433	\$0	\$0	\$0	\$0	\$0	\$0	\$90,942	0.01%	
2612 RTU Upgrade KY	System Improvement	\$59,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,798	\$3,010	\$0	\$0	\$0	\$104,143	0.01%	
2634 QJA Phase II	Public Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2634 Crystal Gauges	Equipment	\$0	\$0	\$7,107	\$0	\$0	\$0	\$257,065	\$0	\$0	\$0	\$0	\$0	\$0	\$264,172	0.04%	
2634 EX6 Purchase	Equipment	\$0	\$0	\$0	\$9,342	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,342	0.00%	
2634 Gas Tracker	System Integrity	\$0	\$0	\$24,265	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,265	0.00%	
2634 Growth Functional	Equipment	\$12,613	\$12,669	\$12,732	\$13,001	\$13,304	\$13,718	\$12,997	\$13,395	\$13,052	\$13,516	\$13,206	\$13,551	\$157,754	\$157,754	0.02%	
2634 Jamison Tracker 800	Equipment	\$0	\$2,591	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,591	0.00%	
2634 Juno 2018	Equipment	\$0	\$5,889	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,889	0.00%	
2634 Leak Functional	System Integrity	\$10,906	\$10,952	\$11,005	\$11,228	\$11,479	\$11,823	\$11,224	\$11,535	\$11,271	\$11,655	\$11,398	\$11,882	\$136,178	\$136,178	0.02%	
2634 Mike Growth Mahns FY19	Growth	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2634 Mike Syntht. Mahns FY19	System Integrity	\$42,095	\$39,423	\$35,795	\$43,411	\$39,146	\$31,207	\$37,708	\$44,391	\$37,087	\$45,035	\$43,461	\$41,120	\$479,879	\$479,879	0.07%	
2634 Non Growth Functional	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2634 Peole TB Replacement	System Improvement	\$0	\$0	\$0	\$36,397	\$6,228	\$13,904	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$66,529	0.01%	
2634 TD Williamson Tapping Equip	Equipment	\$0	\$0	\$0	\$64,202	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$64,202	0.01%	
2634 Town Border 2 Replacement	Equipment	\$0	\$0	\$0	\$86,122	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$86,122	0.01%	
2634 Dawson Springs System The Back	System Integrity	\$0	\$0	\$0	\$45,463	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$45,463	0.00%	
2635 Equipment FY19	Equipment	\$20,611	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,611	0.00%	
2635 Growth Functional	Growth	\$3,782	\$3,862	\$3,905	\$4,158	\$3,774	\$3,958	\$4,056	\$4,064	\$4,052	\$4,052	\$4,018	\$4,166	\$47,721	\$47,721	0.01%	
2635 Leak Functional	Growth	\$6,659	\$6,686	\$6,716	\$6,844	\$6,988	\$4,598	\$5,842	\$7,032	\$6,869	\$7,089	\$6,942	\$7,121	\$80,387	\$80,387	0.01%	
2635 Mike Growth Mahns FY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2635 Mike Syntht. Mahns FY19	System Integrity	\$47,566	\$10,922	\$31,565	\$24,933	\$25,219	\$10,807	\$33,856	\$21,226	\$19,805	\$44,859	\$41,353	\$42,176	\$363,447	\$363,447	0.05%	
2635 Non Growth Functional	System Improvement	\$26,752	\$10,365	\$16,334	\$0	\$0	\$0	\$14,333	\$38,701	\$0	\$0	\$0	\$0	\$0	\$53,254	\$53,254	0.01%
2636 Bantree The Back	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2636 Boothfield Rd. The Back	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2636 Building Access Upgrade	Structure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$15,000	\$0	\$0	\$0	\$0	\$30,000	0.00%	
2636 Burton Rd Station	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2636 Equipment FY19	Equipment	\$46,876	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$46,876	0.01%	
2636 Gas Tracker	Equipment	\$0	\$0	\$23,690	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,690	0.00%	
2636 Growth Functional	Growth	\$90,554	\$90,970	\$91,436	\$93,420	\$95,654	\$98,709	\$93,388	\$96,326	\$93,799	\$97,719	\$94,929	\$97,451	\$1,159,856	\$1,159,856	0.16%	
2636 Leak Functional	System Integrity	\$30,033	\$30,186	\$30,316	\$30,951	\$31,667	\$32,845	\$30,941	\$31,882	\$31,072	\$32,168	\$31,495	\$32,333	\$375,310	\$375,310	0.05%	
2636 Mike Growth Mahns FY19	Growth	\$9,713	\$9,759	\$9,810	\$10,078	\$10,274	\$10,609	\$10,025	\$10,347	\$10,070	\$10,446	\$10,194	\$10,461	\$121,786	\$121,786	0.02%	
2636 Mike Syntht. Mahns FY19	System Integrity	\$132,424	\$105,993	\$98,317	\$122,788	\$102,516	\$139,111	\$165,058	\$119,066	\$150,646	\$167,833	\$125,823	\$158,238	\$1,588,819	\$1,588,819	0.22%	
2636 Non Growth Functional	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2636 Owensboro Warehouse Lighting	Structure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2636 Parking Lot Sealing	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2636 Settles Rd. The Back	System Improvement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2636 T. D. Williamson	Equipment	\$0	\$0	\$35,536	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$35,536	0.00%	
2637 Blountville Rd Widening	System Integrity	\$181,036	\$185,741	\$177,768	\$0	\$0	\$18,136	\$25,514	\$26,396	(\$65,139)	\$0	\$0	\$0	\$0	\$4,907	\$4,907	0.00%
2637 CalverCity Purch. Rebuild	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2637 Equipment FY19	Equipment	\$0	\$0	\$42,413	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$42,413	0.01%	
2637 Etas Lane Reinforcement	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2637 Growth Functional	Growth	\$44,547	\$52,197	\$47,614	\$54,827	\$49,839	\$54,316	\$53,710	\$57,188	\$48,773	\$57,163	\$46,955	\$55,570	\$620,880	\$620,880	0.08%	
2637 RT Farm Taps	System Integrity	\$0	\$0	\$24,448	\$25,102	\$25,699	\$26,515	\$25,094	\$25,878	\$25,203	\$26,171	\$26,996	\$28,323	\$323,823	\$323,823	0.04%	
2637 Wasec Creek Crossing	System Integrity	\$15,831	\$15,126	\$14,763	\$14,846	\$15,201	\$16,147	\$15,195	\$15,721	\$15,269	\$15,889	\$15,471	\$15,898	\$184,680	\$184,680	0.03%	
2637 Mike Growth Mahns FY19	Growth	\$14,688	\$14,763	\$14,846	\$15,201	\$16,147	\$15,195	\$15,721	\$15,269	\$15,889	\$15,471	\$15,898	\$15,471	\$184,680	\$184,680	0.03%	
2637 Mike Syntht. Mahns FY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2637 Non Growth Functional	System Integrity	\$37,850	\$37,982	\$38,140	\$38,028	\$38,834	\$41,126	\$40,993	\$41,817	\$41,930	\$42,722	\$43,502	\$44,272	\$1,100,676	\$1,100,676	0.15%	
2637 Paduch Grade #3 Leak Repair	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2637 Raduch Isolation Valves	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
2637 Un-Tonable Pipe Replacement	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$17,943	\$40,629	\$34,718	\$36,125	\$35,183	\$36,213	\$200,811	\$200,811	0.03%	
2637 WKTC Pipe Replacement	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,254	\$97,375	\$0	\$0	\$105,629	\$105,629	0.01%	

Atmos Energy Corporation
 Kentucky Mid-States Division
 Kentucky Operations
 FY 2019 Capital Budget
 Case No. 2018-00281
 Staff 3-27

Project Name	Budget Category	<<Plant In-Service 13 Month Average>>											Grand Total	% of Plant In-Service	
		201810	201811	201812	201901	201902	201903	201904	201905	201906	201907	201908			201909
2739.Misc Growth Mains.FY19	Growth	\$7,109	\$7,145	\$7,186	\$7,360	\$7,557	\$7,825	\$7,358	\$7,616	\$7,394	\$7,694	\$7,493	\$7,723	\$89,460	0.01%
2739.Misc.SynsL.Mains.FY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,271	\$1,271	0.00%
2739.Non.Growth.Functional	System Integrity	\$38,580	\$37,398	\$36,223	\$22,881	\$30,217	\$32,704	\$29,170	\$34,958	\$29,804	\$35,294	\$36,144	\$35,686	\$399,059	0.06%
2739.Osprey Cove Reinforcement	System Improvement	\$0	\$0	\$0	\$0	\$0	\$70,164	\$37,645	\$38,944	\$46,967	\$84,361	\$0	\$0	\$278,082	0.04%
2739.Shelbyville 2019 equipment budget	Equipment	\$0	\$25,660	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,660	0.00%
2739.Shelbyville Low Pressure	System Improvement	\$0	\$0	\$0	\$0	\$0	\$16,736	\$66,224	\$64,311	\$66,900	\$75,047	\$131,897	\$421,114	\$421,114	0.06%
3302.KY.Desktops	Information Technology	\$0	\$0	\$20,653	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,653	0.00%
3302.KY.Laptops	Information Technology	\$0	\$0	\$19,505	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,505	0.00%
3302.KY.MDT	Information Technology	\$0	\$0	\$71,596	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$71,596	0.01%
Beechbend Rd. Reinforcement	System Improvement	\$60,630	\$72,652	\$25,510	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$158,792	0.02%
Hardeman Creek Crossing.FY19	System Integrity	\$0	\$7,500	\$2,142	\$31,544	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41,187	0.01%
Hodgensville Rd. Reinforcement	System Improvement	\$77,922	\$85,716	\$96,865	\$152,588	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$418,091	0.06%
Paducah Mall & Creek HCA	System Integrity	\$235,316	\$164,166	\$165,105	\$791,554	\$341,758	\$420,223	\$853,517	\$883,419	\$857,697	\$892,514	\$869,207	\$732,543	\$7,207,019	0.99%
Petty Rd to JC Kirby Cemetery	System Improvement	\$75,506	\$156,939	\$131,663	\$134,840	\$85,677	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$584,624	0.08%
Saloma Purchase Station.FY19	System Integrity	\$47,573	\$47,111	\$40,274	\$0	\$47,155	\$48,804	\$84,737	\$0	\$0	\$0	\$0	\$0	\$315,654	0.04%
Summersville Purch Stat.FY19	System Integrity	\$47,573	\$91,737	\$85,151	\$45,945	\$0	\$0	\$38,809	\$0	\$0	\$0	\$0	\$0	\$309,215	0.04%
Symsonia Creek Crossing.FY19	System Integrity	\$0	\$4,003	\$5,659	\$31,544	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41,207	0.01%
WMR.2634.Dixon Tower.FY19	System Improvement	\$0	\$47,111	\$0	\$0	\$0	\$32,244	\$0	\$0	\$0	\$0	\$0	\$0	\$79,356	0.01%
WMR.2634.Spottsville Base.FY19	System Improvement	\$0	\$23,556	\$0	\$0	\$0	\$12,898	\$0	\$0	\$0	\$0	\$0	\$0	\$36,453	0.01%
WMR.2734.Endpoints.FY19	System Improvement	\$0	\$311,188	\$314,112	\$17,016	\$17,469	\$18,089	\$17,009	\$17,605	\$17,092	\$17,787	\$17,322	\$17,830	\$1,182,519	0.16%
WMR.2734.Towers.FY19	System Improvement	\$260,833	\$37,512	\$37,727	\$38,642	\$39,671	\$0	\$0	\$282,439	\$0	\$0	\$0	\$0	\$696,825	0.10%
WMR.2736.Endpoints.FY19	System Improvement	\$457,317	\$11,012	\$11,075	\$11,344	\$11,646	\$63,718	\$0	\$0	\$0	\$0	\$0	\$0	\$566,112	0.08%
PRP.2636.Carter-Bozley Rd.FY19	System Integrity	\$222,064	\$183,303	\$136,950	\$128,050	\$138,840	\$155,244	\$176,318	\$0	\$0	\$0	\$0	\$0	\$1,140,769	0.16%
PRP.2636.Davies Dr CC	System Integrity	\$0	\$0	\$0	\$0	\$0	\$16,405	\$10,257	\$0	\$0	\$0	\$0	\$0	\$26,663	0.00%
PRP.2636.Eastwood Dr.FY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$166,801	\$124,438	\$142,045	\$68,999	\$0	\$0	\$502,284	0.07%
PRP.2636.Ford & Robin Rd.FY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$114,469	\$74,132	\$0	\$0	\$0	\$0	\$0	\$188,601	0.03%
PRP.2636.Glenn CLFY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$104,463	\$103,496	\$0	\$0	\$0	\$0	\$0	\$207,959	0.03%
PRP.2636.Owensboro Services	System Integrity	\$159,317	\$160,096	\$160,968	\$164,681	\$168,863	\$174,579	\$164,621	\$170,119	\$165,390	\$171,791	\$167,506	\$172,197	\$2,000,127	0.28%
PRP.2636.Poplar St Alley	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$609,117	0.08%
PRP.2636.W 6th & Crabtree CC	System Integrity	\$0	\$0	\$17,150	\$16,473	\$9,929	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,563	0.01%
PRP.2637.Clark St Ph. 1.FY18	System Integrity	\$158,131	\$177,746	\$160,983	\$181,979	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$678,838	0.09%
PRP.2637.Mississippi-Georgia	System Integrity	\$0	\$0	\$0	\$39,332	\$110,563	\$126,940	\$112,544	\$166,646	\$230,342	\$0	\$0	\$0	\$785,467	0.11%
PRP.2637.North 26th St.FY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$66,655	\$155,724	\$187,450	\$194,255	\$217,255	\$214,118	\$258,959	\$1,294,415	0.18%
PRP.2637.Paducah Services	System Integrity	\$218,643	\$190,079	\$216,411	\$226,122	\$228,658	\$238,960	\$207,044	\$212,646	\$201,603	\$224,615	\$208,480	\$215,192	\$2,588,453	0.36%
PRP.2734.Boatlanding Rd FY19	System Integrity	\$55,959	\$52,944	\$53,241	\$71,492	\$87,927	\$86,010	\$0	\$0	\$0	\$0	\$0	\$0	\$407,574	0.06%
PRP.2734.Bowling Green Service	System Integrity	\$154,523	\$155,280	\$156,126	\$159,732	\$163,792	\$169,344	\$159,674	\$165,012	\$160,420	\$166,638	\$162,475	\$167,026	\$1,940,040	0.27%
PRP.2734.Court Railroad St CC FY19 -	System Integrity	\$0	\$0	\$0	\$23,347	\$19,220	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$42,567	0.01%
PRP.2734.Holly Dr CC FY19 -	System Integrity	\$0	\$0	\$3,578	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,578	0.00%
PRP.2734.N Breathitt St FY19 -	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$133,001	\$113,230	\$153,882	\$184,121	\$210,256	\$256,845	\$1,051,335	0.15%
PRP.2734.N Main St FY19	System Integrity	\$51,639	\$52,806	\$57,842	\$39,815	\$42,102	\$136,826	\$0	\$0	\$0	\$0	\$0	\$0	\$381,029	0.05%
PRP.2734.Nutwood & 10th FY19	System Integrity	\$62,847	\$53,551	\$69,251	\$64,842	\$85,229	\$148,842	\$114,541	\$154,545	\$0	\$0	\$0	\$0	\$753,647	0.10%
PRP.2734.Stuart Ave FY19 -	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$113,828	\$96,276	\$136,891	\$129,657	\$140,019	\$616,672	0.09%
PRP.2734.W Kentucky Ave CC	System Integrity	\$29,197	\$15,314	\$15,382	\$30,232	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$90,125	0.01%
PRP.2735.Bowen Frazier FY19	System Integrity	\$42,734	\$49,518	\$52,164	\$59,479	\$114,165	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$318,052	0.04%
PRP.2735.Glasgow Services	System Integrity	\$36,027	\$36,202	\$36,399	\$37,235	\$38,178	\$39,466	\$37,222	\$38,461	\$37,395	\$38,837	\$37,872	\$38,932	\$452,226	0.06%
PRP.2735.Milton Ave FY19 -	System Integrity	\$0	\$0	\$0	\$0	\$0	\$65,369	\$51,045	\$52,805	\$16,252	\$23,218	\$23,869	\$149,130	\$381,693	0.05%
PRP.2737.Danville Services	System Integrity	\$72,166	\$72,523	\$72,922	\$74,624	\$76,541	\$79,161	\$74,597	\$77,117	\$74,949	\$77,883	\$75,919	\$78,070	\$906,472	0.13%
PRP.2737.Hwy150 FY19	System Integrity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$171,646	\$120,429	\$155,701	\$162,785	\$107,163	\$717,724	0.10%
PRP.2737.KY33 FY19	System Integrity	\$0	\$0	\$0	\$0	\$77,528	\$73,712	\$63,299	\$55,445	\$100,166	\$100,395	\$54,566	\$89,566	\$614,676	0.08%
PRP.2737.W Maple Ave FY19	System Integrity	\$80,079	\$82,192	\$64,389	\$64,012	\$75,656	\$102,812	\$108,860	\$68,707	\$121,576	\$86,140	\$0	\$0	\$854,925	0.12%
PRP.2738.Campbellsville Service	System Integrity	\$53,031	\$53,296	\$53,592	\$54,854	\$56,275	\$58,218	\$54,834	\$56,702	\$55,095	\$57,270	\$55,814	\$57,392	\$666,373	0.09%
PRP.2738.Robinson Ave FY19	System Integrity	\$105,779	\$88,855	\$63,299	\$67,239	\$75,236	\$84,324	\$170,299	\$173,485	\$60,936	\$0	\$0	\$0	\$889,453	0.12%
PRP.2738.Springfield.Calvary	System Integrity	\$2,276,531	\$2,288,236	\$2,301,320	\$152,214	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,018,301	0.97%
PRP.Morgantown Rd & S Sunrise	System Integrity	\$61,992	\$60,770	\$80,061	\$92,886	\$171,303	\$136,199	\$0	\$0	\$0	\$0	\$0	\$0	\$603,212	0.08%
		\$9,007,621	\$10,016,878	\$10,129,031	\$8,366,063	\$6,257,139	\$5,439,840	\$6,399,530	\$6,273,172	\$6,252,513	\$6,591,902	\$6,183,627	\$5,797,285	\$86,714,602	

Source: Schedule B.1 F



Matthew G. Bevin
Governor

Charles G. Snaveley
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 515
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Michael J. Schmitt
Chairman

Robert Cicero
Vice Chairman

Daniel E. Logsdon, Jr.
Commissioner

February 7, 2017 cline

PSC STAFF OPINION 2017- 005

Kasey K. Emmick
General Manager
East Daviess County Water Association, Inc.
9210 State Route 144
Knottsville, Ky. 42366

Re: Request for PSC Staff Opinion regarding Construction of Workshop

Dear Mr. Emmick,

The Commission received on January 26, 2017 your letter in which you request, on behalf of East Daviess County Water Association, Inc. ("East Daviess"), an opinion regarding the need for a Certificate of Public Convenience and Necessity ("CPCN") for the construction of a building to be used as a workshop. This opinion represents Commission Staff's interpretation of the law as applied to the facts presented, is advisory in nature, and is not binding on the Public Service Commission should the issues be formally presented for Commission resolution.

East Daviess is a water association incorporated under KRS Chapter 273 that provides water service to 4,496 customers in Daviess, Hancock, and Ohio counties, Kentucky.¹ East Daviess's rates and service are subject to the jurisdiction of the Commission.

Based upon your letter, Commission Staff understands the facts are as follows:

The workshop will be a 40' X 60' steel building with room to store a utility truck and trailer, along with tools and pipe.

¹ Annual Report of East Daviess Water Association, Inc. to the Public Service Commission for the Year Ended December 31, 2015 ("2015 Annual Report") at 12 and 53.

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East Daviess has put the construction project out for bid and has accepted the low bid of \$102,900.

East Daviess will fund the construction out of general funds and will not be issuing any financing in connection with the project.

Construction of this project will not result in increased charges to customers of East Daviess.²

Your letter presents the following question:

Is East Daviess required to obtain a CPCN for the proposed construction of a workshop?

Staff Analysis

KRS 278.020(1) provides:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.

Administrative Regulation 807 KAR 5:001, Section 15(3), further provides:

Extensions in the ordinary course of business. A certificate of public convenience and necessity shall not be required for extensions that do not create wasteful duplication of plant, equipment, property, or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general or contiguous area in which the utility renders service, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

The Commission has interpreted this statute and regulation to mean that a CPCN is not necessary "for facilities that do not result in the wasteful duplication of utility plant, do not compete with the facilities of existing public utilities, and do not involve a

² Electronic mail message sent by Mr. Emmick on February 3, 2017.

sufficient capital outlay to materially affect the existing financial condition of the utility involved or to require an increase in utility rates.”³

In the 2016 Regular Session, the Kentucky General Assembly enacted legislation (the “Budget Bill Exemption”) that provides:

Water Districts and Water Associations: A water district created pursuant to KRS Chapter 74 and a water association formed under KRS Chapter 273 that undertakes a waterline extension or improvement project shall not be required to obtain a certificate of public convenience and necessity, notwithstanding KRS 278.020(1), if the water district or water association is a Class A or B utility as defined in the Uniform System of Accounts established by the Public Service Commission, pursuant to KRS 278.220, as the system of accounts prescribed for utilities in Kentucky, and either: (a) The water line extension or improvement project will not cost in excess of \$500,000; or (b) The water district or water association will not, as a result of the water line extension or improvement project, incur obligations requiring Public Service Commission approval pursuant to KRS 278.300. In either case, the water district or water association shall not, as a result of the water line extension or improvement project, increase rates to its customers.

2016 Ky. Acts Ch. 149. This Act became effective on April 28, 2016.

Thus, through the Budget Bill Exemption, the General Assembly has further defined when a CPCN is required for a waterline extension or improvement project. However, the construction of a workshop building cannot be characterized as a “waterline extension or improvement project,” as that term is utilized in the Budget Bill Exemption, since the construction now proposed by East Daviess will neither extend a waterline nor improve service through an existing waterline. Consequently, the budget Bill Exemption is unavailable to East Daviess for this project.

Historically, the Commission has held that the construction of headquarters buildings, regional (satellite) office buildings, and warehouses is not in the ordinary course of business and does require a CPCN.⁴ However, the Commission has also

³ Case No. 2000-00481, *Application of Northern Kentucky Water District (A) For Authority to Issue Parity Revenue Bonds in the Approximate Amount of \$16,545,000; and (B) A Certificate of Convenience and Necessity for the Construction of Water Main Facilities* (Ky. PSC Aug. 30, 2001), Order at 4.

⁴ See, e.g., Case No. 2013-00343, *Application of Salt River Electric Cooperative Corporation for a Certificate of Convenience and Necessity Authorizing Certain Proposed Construction Identified as the Headquarters Construction and District Renovations* (Ky. PSC Oct. 25, 2013), Order granting Salt River's request for a CPCN to construct a new warehouse/operations center; Case No. 2011-00196, *Application of Kenergy Corp. for a Certificate of Public Convenience and Necessity* (Ky. PSC Dec. 19, 2011), Order granting Kenergy a CPCN to construct a new district office and service facility; Case No. 2010-00244,

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frequently found that the construction of a proposed facility whose cost represents less than two percent of the utility's net utility plant and will not require financing approval by the Commission is in the ordinary course of business and does not require a CPCN.⁵

As to whether the construction of the proposed workshop building is an ordinary extension in the usual course of business, Staff notes that as of December 31, 2015, East Daviess had utility plant of \$11,872,417 and net utility plant of \$6,948,672.⁶ The construction of a workshop costing \$102,900 will represent an increase of 1.48 percent in East Daviess's net utility plant. Based on prior Commission precedent on the issue of the need for a CPCN, Staff is of the opinion that the facility proposed here does not

Application of Shelby Energy Cooperative, Inc. for a Certificate of Convenience and Necessity for its 2010-2014 Construction Work Plan (Ky. PSC Aug. 3, 2011), Order holding that a CPCN was required for Shelby's AMI program since the AMI project was not in the ordinary course of business; Case No. 2008-00371, Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Public Convenience and Necessity to Construct a New Headquarters Facility in Somerset, Kentucky (Ky. PSC May 11, 2010), Order granting South Kentucky a CPCN to construct proposed headquarters facilities; Case No. 2004-00416, Application of Kenergy Corp. for a Certificate of Public Convenience and Necessity for 2004-2007 Construction of Work Plan (Ky. PSC Feb. 25, 2005), Order holding that in the event Kenergy or Big Rivers desires to proceed with a headquarters construction, a separate CPCN will have to be filed; Case No. 2001-178, Application of the Big Sandy Water District for a Certificate of Public Convenience and Necessity to Construct an Improvement Project and to Issue Securities in the Approximate Principal Amount of \$822,000 for the Purpose of Financing Said Project and Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.020, 278.300 and 807 KAR 5:001 (Ky. PSC Dec. 20, 2001), Order finding that prima face evidence exists that Big Sandy violated KRS 278.020(1) by its construction of the proposed tank facilities without first obtaining a CPCN from the Commission; Case No. 94-182, Columbia Gas of Kentucky, Inc. Alleged Failure to Comply with KRS Chapter 278 (Ky. PSC June 27, 1994), Order initiating an investigation into Columbia's construction of a new headquarters and customer service facility prior to obtaining a CPCN.

⁵ See, e.g., Case No. 2015-00284, *Application of East Kentucky Power Cooperative, Inc. for an Order Declaring the Expansion of the Bavarian Landfill Gas to Energy Project to be an Ordinary Extension of Existing Systems in the Usual Course of Business* (Ky. PSC Nov. 20, 2015), Order; Case No. 2012-00269, *Tariff Filing of Warren County Water District to Establish the Rockfield School Sewer Capital Recovery Fee* (Ky. PSC Nov. 19, 2012), Order; Case No. 2007-00058, *Application of Big Rivers Electric Corporation for Approval of an Interconnection Agreement with Kentucky Utilities Company* (Ky. PSC Apr. 16, 2007), Order; Case No. 2002-00474, *Application of East Kentucky Power Cooperative, Inc. for an Order Declaring the Green Valley and Laurel Ridge Landfill Gas to Energy Projects to Be Ordinary Extensions of Existing Systems in the Usual Course of Business* (Ky. PSC Mar. 3, 2003), Order; Case No. 98-508, *Application of Kentucky Turnpike Water District for a Declaration that a Certificate of Public Convenience and Necessity Is not Required or, in the Alternative, for the Issuance of Such a Certificate of Public Convenience and Necessity* (Ky. PSC Nov. 19, 1998), Order; Case No. 92-028, *Application of Kenton County Water District No. 1 for Authority to Perform Maintenance at its Taylor Mill Treatment Plant by Replacing Filer Valves at a Total Cost of Approximately \$700,000* (Ky. PSC Feb. 18, 1992), Order. But see also Case No. 2013-00365, *Application of Delta Natural Gas Company, Inc. for an Order Declaring that it is Authorized to Construct, Own and Operate a Compressed Natural Gas Station in Berea, Kentucky* (Ky. PSC Mar. 30, 2015), Order.

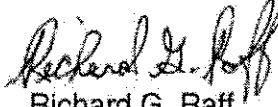
⁶ 2015 Annual Report at 20.

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represent a materially capital expenditure and does qualify as an ordinary extension in the usual course of business. Consequently, no CPCN is needed.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Richard G. Raff, General Counsel, at (502) 782-2588.

Sincerely,


Richard G. Raff
General Counsel

RR/kg

Case No. 2018-00281
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 3
Question No. 3-28
Page 1 of 2

REQUEST:

The Commission's March 19, 2018 Order in Case No. 2018-00039² approved a unanimous settlement agreement, reduced Atmos's base rates by \$4.6 million annually effective March 19, 2018, to reflect the lower income tax impacts of the Tax Cuts and Jobs Act (TCJA), and deferred for future resolution the impacts of the TCJA on excess ADIT.

- a. Based on the methodology utilized by the Commission to calculate the impacts of the TCJA in Atmos's last base rate case, Case No. 2017-00349,³ provide a calculation of the impacts of the TCJA on Atmos's federal income taxes (FIT) expense from January 1, 2018, through the May 3, 2018, the date that new base rates became effective.
- b. Provide a calculation of the refunds, if any, due customers for the difference between the impacts of the TCJA on FIT expense as calculated in part a. and the amount of rate reduction for the TCJA reflected in rates between March 19, 2018, and May 3, 2018.
- c. Based on the methodology utilized by the Commission to calculate the impacts of the TCJA in Atmos's last base rate case, Case No. 2017-00349, provide a calculation of the impacts of the TCJA on Atmos's excess ADIT between January 1, 2018, and May 3, 2018.

RESPONSE:

- a. On an annual basis, the impact on the Company's cost of service would remain \$4.6 million which used the base rates in place at the time of the analysis as the starting point as described in the testimony of Joe Christian in Case No. 2018-00039. The portion of that amount estimated to fall between January 1, 2018 and May 3, 2018 is \$2,181,668.
- b. There is no refund due customers for the period between March 19 and May 3. The Company booked a reserve of \$1,424,111 for the cost of service reduction due to TCJA from January 1 - March 19. The amount and refund methodology relating to that reserve is one of the issues to be determined in Case No. 2108-00039 which is still pending. Customers received the benefit of the reduction in cost of service from March 19 - May 3 via the rates that were implemented March 19. The rates approved and implemented May 3 are prospective from that point forward and properly reflect the impacts of TCJA.

² Case No. 2018-00039, *Electronic Investigation of the Impact of the Tax Cuts and Job Act on the Rates of Atmos Energy Corporation* (Ky. PSC Mar. 19, 2018).

³ Case No. 2017-00349, *Atmos* (Ky. PSC May 3, 2018).

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Atmos Energy Corporation, Kentucky Division
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- c. The regulatory liability balance for Kentucky excess ADIT as of December 31, 2017 and included in Case No. 2017-00349 was \$35,309,597. This amount was included on WP B.5F1 of the Company's rebuttal model. Since the Company has a fiscal year end, the amount recorded as of December 31, 2017 included some estimated amounts that were refined as the Company completed its accounting for its September 30, 2018 fiscal year end.

As the result of refining estimates throughout the Company's fiscal year, updates to the regulatory liability for excess ADIT were recorded each quarter of the Company's fiscal year ended September 30, 2018. The Company provided the Kentucky updated estimated excess ADIT as of June 30, 2018 in the amount of \$35,130,387 (excluding the impacts of amortization) in the Company's response to AG DR No. 1-47 in Attachment 1.

At the Company's fiscal year end, the Kentucky excess ADIT regulatory liability was recorded in the amount of \$35,877,108 (prior to the impacts of amortization). This amount will be finalized when the Company files its federal income tax return in July 2019.

The Company did not change the methodology for computing the Kentucky excess ADIT from that which was used in Case No. 2017-00349. Changes to the excess ADIT amount resulted entirely from refining estimates of fiscal year end September 30, 2018 amounts.

Respondents: Greg Waller, Joe Christian and Jennifer Story