

Federal brownfields tax deduction extended two years

MADISON – Wisconsin businesses may again obtain a federal income tax deduction for certain expenses incurred investigating and cleaning up contaminated properties. In addition to hazardous substances, businesses may now deduct eligible expenses incurred when dealing with environmental contamination from petroleum products.

The deduction allows a taxpayer to deduct qualified environmental expenditures at a property held for use in trade or business, or for the production of income. The taxpayer may take this deduction in the year in which it was incurred, rather than amortizing expenses over several years.

Eligible expenses include environmental costs associated with site assessment and investigation, environmental cleanup, voluntary cleanup program fees and demolition debris removal. To be eligible, the taxpayer must own the property while the expenses are incurred. A tax advisor should be consulted to determine if the expenses are “qualified environmental remediation expenditures.”

The deduction has existed since 1998, and was extended when President Bush signed the Tax Relief and Health Care Act on Dec. 20, 2006, making expenses incurred through Dec. 31, 2007, eligible. The act also expanded the deduction to include expenses for petroleum products, including crude oil and natural gasoline, incurred from Dec. 31, 2005, to Dec. 31, 2007.

In order to claim the deduction, businesses need a certification from the Wisconsin Department of Natural Resources that the property is a “qualified contaminated site.” To get this certification, complete and return the DNR Remediation and Redevelopment Program’s Brownfields Federal Tax Deduction Pre-Certification form available on the [brownfields tax deduction](#) page of the DNR Web site.

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