

Tax Depreciation Schedules: Facts and Modeling

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Abstract

Tax depreciation schedules dictate how businesses can deduct investment from their tax base. In this research note, I first provide an overview of depreciation schedules and document several facts on tax depreciation policy across space and time. Then, I suggest a simple approach to approximate tax depreciation schedules - to facilitate their introduction in modeling exercises - and assess the validity of such an approximation. Finally, I show that failing to model tax depreciation schedules explicitly can result in large approximation errors.

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