



2008 ECONOMIC STIMULUS ACT OVERVIEW

Provided by



On February 13, 2008, President Bush signed the 2008 Economic Stimulus Act. Although recent media coverage has focused on benefits for the individual taxpayer, this new bill also offers significant incentives to spur business investment.

What does this mean for your business?

There are two key benefits:

Section 179 Expensing

Internal Revenue Service Section 179 allows businesses to take a one-time expensing of qualifying equipment purchased and placed into service in a given year. The 2008 Economic Stimulus Act raises the 2008 deduction limit from \$125,000 to \$250,000. In addition, the cap of qualifying equipment has been raised to \$800,000.

This means that a business may purchase and place into service \$800,000 worth of qualifying equipment and immediately expense up to \$250,000. Section 179 Expensing is in addition to the normal first year MACRS (Modified Accelerated Cost Recovery System) depreciation deduction. Section 179 Expensing for businesses acquiring more than \$800,000 in 2008 will see the \$250,000 deduction limit reduced on a dollar-for-dollar basis.

There are limitations in utilizing this Section 179 expense deduction, so we recommend you consult your tax advisor.

50% Bonus Depreciation

The 2008 Economic Stimulus Act also allows for a bonus depreciation of an additional 50% for qualifying equipment purchased and placed into service in 2008. This allows businesses to depreciate more of an asset's cost up front, thus accelerating the tax savings they would receive by depreciating that asset.

BENEFIT EXAMPLES

Here are some examples of how the 2008 Economic Stimulus Act could help your bottom line.

Example 1: ABC Landscaping purchases \$500,000 worth of qualifying equipment in 2008 and chooses to take allowable Section 179 deduction and 50% bonus depreciation:

Prior to 2008 Economic Stimulus Act		Under 2008 Economic Stimulus Act	
\$ 500,000	<i>Amount of Eligible Assets</i>	\$ 500,000	
\$ 125,000	<i>Section 179 Deduction</i>	\$ 250,000	
\$ -	<i>50% Bonus Deduction</i>	\$ 125,000	
\$ 75,000	<i>MACRS 1st Year Depreciation</i>	\$ 25,000	
\$ 200,000	<i>1st Year Tax Deduction</i>	\$ 400,000	
	<i>Additional deduction versus prior law</i>	\$ 200,000	

Example 2: Smith Construction purchases \$1,000,000 worth of qualifying equipment in 2008 and chooses to take allowable Section 179 deduction and 50% bonus depreciation:

Prior to 2008 Economic Stimulus Act		Under 2008 Economic Stimulus Act	
\$ 1,000,000	<i>Amount of Eligible Assets</i>	\$ 1,000,000	
\$ -	<i>Section 179 Deduction</i>	\$ 50,000	
	<i>50% Bonus Deduction</i>	\$ 475,000	
\$ 200,000	<i>MACRS 1st Year Depreciation</i>	\$ 95,000	
\$ 200,000	<i>1st Year Tax Deduction</i>	\$ 620,000	
	<i>Additional deduction versus prior law</i>	\$ 420,000	

Example 3: American Freight purchases \$300,000 worth of qualifying equipment in 2008 and chooses to not take allowable Section 179 deduction but take 50% bonus depreciation:

Prior to 2008 Economic Stimulus Act		Under 2008 Economic Stimulus Act	
\$ 300,000	<i>Amount of Eligible Assets</i>	\$ 300,000	
\$ -	<i>Section 179 Deduction</i>	\$ -	
\$ -	<i>50% Bonus Deduction</i>	\$ 150,000	
\$ 60,000	<i>MACRS 1st Year Depreciation</i>	\$ 30,000	
\$ 60,000	<i>1st Year Tax Deduction</i>	\$ 180,000	
	<i>Additional deduction versus prior law</i>	\$ 120,000	

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