

The Economic Stimulus Act of 2008

By Now We Have All Heard About The Personal Refunds, But What Does It Mean For Business?

The Economic Stimulus Act of 2008 has two key tax benefits for business that may save you money by reducing your 2008 tax bill. The economic stimulus includes an expanded Sec. 179 expense election and bonus depreciation to lower your cost for equipment purchased in 2008.

These benefits may allow you to write-off more of your asset's cost this year than in 2009, making now the right time to purchase equipment. Ask V&H about these incentives before they go away.

What is Section 179 Expense Allocation?

Section 179 of the IRS code allows for expensing a portion of your asset cost in the year purchased. For 2008 this amount was increased up to \$250,000. Sec. 179 is tangible which is acquired by purchase for use in the active conduct of a trade or business.

QUICK FACTS

- Companies can expense up to \$250,000 in purchases as long as they don't spend more than \$800,000
- Expensing is phased-out for each dollar that purchases exceed \$800,000
- New and used equipment is eligible for expensing
- Applies to tax years that start in 2008
- Expense can be combined with bonus depreciation
- Increase in expense allowance expires at the end of 2008

What is Bonus Depreciation?

Bonus depreciation is an additional first year depreciation of 50% of the purchase price. All new equipment purchased and placed into service in 2008 is eligible.

QUICK FACTS

- Equipment must be purchased and placed in service in 2008
- Only new equipment is eligible for bonus depreciation
- No bonus depreciation if a binding purchase contract existed prior to Jan. 1, 2008
- Bonus depreciation benefit expires at end of 2008

These key features were designed to help stimulate the purchase of capital goods and may cut your 2008 tax bill. Both tax benefits are available for your regular tax and for Alternative Minimum Tax (AMT).