



USE IT OR LOSE IT!

CONGRESS EXTENDS THE AMOUNT THAT SMALL BUSINESSES MAY
WRITE-OFF FOR CAPITAL EXPENDITURES UP TO \$250,000!

BUSINESS EQUIPMENT

Business owners who acquire equipment including machinery, computers, and other tangible goods, usually prefer a substantial deduction in a single tax year, rather than a little at a time over a number of years. This accelerated deduction is known by its section in the tax code: a **SECTION 179** deduction.

The 2009 law extends the amount of qualified property that a business can expense under Section 179 to **\$250,000**. This incentive is for equipment placed in service by December 31, 2009 and is designed for small companies, so the deduction phases out when a business purchases more than \$800,000 in one year. (Companies cannot write off more than their taxable income).

BONUS DEPRECIATION 2008

The law also maintains the bonus depreciation of 50% for qualifying assets. This bonus is in addition to regular first-year depreciation.

BENEFITS OF A NON-TAX/CAPITAL LEASE

The benefit of a Non-Tax/Capital Lease is that it can take advantage of Section 179: expense up to \$250,000 if the equipment is put in use in 2009. In addition, you may depreciate any excess on the depreciation schedule for that asset. Examples of Non-Tax/Capital Leases include a \$1.00 Buyout, an Equipment Finance Agreement (EFA), and a 10% Purchase Upon Termination (PUT) Lease.

Example Calculation:

Assume you finance \$300,000 worth of business equipment, put it in use in 2009, and take advantage of Section 179. Your tax savings could be significant:

Equipment Cost Example:	\$300,000
1st Year Write Off: <small>(\$250,000 is the maximum Section 179 write-off in 2009)</small>	\$250,000
50% Bonus Depreciation: <small>(On remaining value: \$300,000 - \$250,000 = \$50,000; \$50,000 x 50% = \$25,000)</small>	\$25,000
Normal 1st Year Depreciation: <small>(Depreciation calculated at 5 years = 20%; \$25,000 x 20% = \$5,000)</small>	\$5,000
Total 1st Year Deduction: <small>(\$250,000 + \$25,000 + \$5,000 = \$280,000)</small>	\$280,000
Tax Savings Assuming Rate of 35%: <small>(\$280,000 x .35 = \$98,000)</small>	\$98,000
1ST YEAR NET COST AFTER TAX SAVINGS: <small>(\$300,000 - \$98,000 = \$202,000)</small>	\$202,000

For complete details, or changes to the tax incentives please consult your tax advisor, visit www.irs.gov or contact the IRS helpline at (800) 829-4933. To ensure property qualifies, reference Publication 946.