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SECTION 179 TAX SAVINGS

Did you know... the 2008 Economic Stimulus Package includes great incentives for small businesses?

Take advantage of these incentives by purchasing new or used equipment during the 2008 calendar year!

Equipment and Software Purchases

Business owners who buy capital equipment (machinery, computers, software, and other tangible goods) usually prefer to deduct the cost in a single tax year, rather than a little at a time over a number of years. But did you know that federal law allows you to deduct more depreciation than you can under the usual rules under Section 179 of the Tax Code?

Now, under Section 179, businesses that spend less than \$800,000 a year on qualified equipment or property can write off up to \$250,000 in 2008!

Bonus Depreciation

In addition to the regular first year depreciation, there is now a 50% depreciation for qualifying assets — new equipment purchased and put into use during 2008.

1st Year Write Off: Section 179 ((\$250,000 is the maximum write off in 2008))	\$250,000
50% Bonus Depreciation (On remaining value: $\$300,000 - \$250,000 = \$50,000 \times 50\% = \$25,000$)	\$25,000
Normal 1st Year Depreciation (Depreciation calculated at 5 years = 20%; $\$25,000 \times 20\% = \$5,000$)	\$5,000
Total 1st Year Deduction ($\$250,000 + \$25,000 + \$5,000 = \$280,000$)	\$280,000
Tax Savings Assuming 35% Bracket ($\$280,000 \times .35 = \$98,000$)	\$98,000
1st Year Net Cost After Tax Savings:	\$202,000

Sample Calculation: Assume you finance \$300,000 worth of business equipment, put it to use in 2008, and take advantage of Section 179. Your **TAX SAVINGS** could be significant.

For complete details or changes to tax incentives, please visit www.irs.gov or contact the U.S. government IRS helpline at 800-829-4933.

MORE ON TAX SAVINGS >



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Benefits of a Non-Tax/Capital Lease

The benefit of a Non-Tax/Capital Lease is that it can take advantage of Section 179, and expense up to the amount allowed for the year the equipment is installed. You may depreciate any excess on the depreciation schedule for that particular asset. Examples of this type of lease include \$1.00 Buyout, Equipment Finance Agreement (EFA), and 10% Purchase Upon Termination (PUT) leases.

Tax/True Lease Benefits

The Tax Lease/True Lease is where the lessor retains ownership and as the lessee, you may be allowed to claim the entire amount of the monthly investment as a tax deduction. Many rental contracts qualify as a True Lease, including a 10% Purchase Option and a Fair Market Value lease.

Example: Monthly investment is \$1,000. Term is 36 months. Assuming a 35% tax bracket, your monthly tax savings would be $\$1,000 \times .35 = \350.00 . Total tax savings over the term of the contract would be \$12,600.00.

Tax Code Section 179 & Election to Expense

An expense deduction is provided for taxpayers (other than estates, trusts or certain non-corporate lessors) who elect to treat the cost of qualifying property, called Section 179 property, as an expense rather than a capital expenditure. Under Section 179, equipment purchases, up to the amount approved for a given year, can be expensed (deducted from taxable income) if installed by December 31st. Non-Tax leases qualify for this deduction in their year of inception. Any excess above the expensed amount can be depreciated depending on the equipment type.

The election, which is made on Form 4562, is for the tax year the property was placed in service or an amended return filed within the time prescribed by law. The total cost of property that may be expensed for any tax year cannot exceed the total amount of taxable income during the tax year. Section 179 property is property that you acquire by purchase for use in the active conduct of your business. To ensure property qualifies, reference Publication 946. The 179 deduction figure is increased for an enterprise zone, renewal community, and the Liberty Zone.

**For further details, contact your
tax advisor or visit www.irs.gov
and reference Form 4562**