

AMERICAN FINANCIAL

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AFP offers something relatively unheard of to business owners:

TAX SAVINGS!

Create your own tax break in 2009!



Congress has increased the amount that small businesses can write off for capital expenditures to **\$250,000!**

Take advantage of these incentives by purchasing new or used equipment during the 2009 calendar year!

Equipment and Software Purchases

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 2009

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

Sample Calculation: Assume you finance \$300,000 worth of business equipment, put it to use in 2009, and take advantage of Section 179. Your **TAX SAVINGS** could be significant.

1st Year Write Off: Section 179 (\$250,000 is the maximum write off in 2009)	\$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

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.

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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: 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: 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:

Tax Code Section 179 & Election to Expense Detail

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.

This expense deduction is provided for taxpayers (other than estates, trusts or certain non-corporate lessors) who elect to treat the cost of qualifying 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. Not all states follow federal law. Contact your tax advisor for further detail or visit www.irs.gov for specific detail.

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.

ACT NOW!

To take advantage of the incentives and the substantial tax savings, your business equipment must be put to use by year-end. Please contact your tax advisor to learn about the specific impact to your business.

Interested in learning more?

We'll provide you with a free consultation and extend financing solutions so that you can acquire the business equipment you need.

Contact us today!

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