

BRAND-NEW POWERFUL TAX INCENTIVES FOR NEW EQUIPMENT PURCHASES IN 2008

The recently enacted bipartisan Economic Stimulus Plan contains increased Section 179 expensing for 2008 small business equipment purchases, as well as a one-year 50% bonus depreciation allowance for new machine tools and other equipment ordered and placed in service during 2008.

- ✓ The boost in Section 179 expensing increases the amount that small businesses can write off for new and used equipment purchases in 2008 from the current \$128,000 to \$250,000. Moreover, the cap on how much equipment can be purchased to enjoy the write-off has been increased from the current \$510,000 to \$800,000.
- ✓ The one-year 50% bonus depreciation means you can write off in 2008 an extra 50% of the cost of your new equipment that you buy and start using in 2008.

Here's how the new provisions work for you and your customers:

Let's assume that the Peekless KeyHole Co. orders and puts into service a **new** machine tool costing \$100,000. Under the new 50% bonus depreciation, Peekless can **write off 57% of the asset in the first year, as opposed to only 14% had bonus depreciation not been enacted for the 2008 tax year.***

50% BONUS DEPRECIATION

OLD LAW (pre-2008 change) - \$100,000 New Machine

1st year Total Depreciation = 14% = \$14,000

NEW LAW - \$100,000 New Machine

1st year Bonus Depreciation: 50% of \$100,000 = \$50,000

PLUS 14% regular depreciation on remaining property basis (\$50,000) = \$ 7,000

TOTAL 2008 Deduction on \$100,000 machine = \$57,000

That's 43% More (\$43,000) in Tax Deduction for 2008 new machine purchase!

SECTION 179 BOOST FOR SMALL BUSINESSES

Under the new law, small businesses (whose total equipment purchases in 2008 don't exceed \$800,000) can now ALSO expense the first \$250,000 for the 2008 tax year (until 1/1/09). The 50% bonus depreciation can then be taken on the remaining basis of the machine, if it is new.

OLD LAW (pre-2008 change) - \$400,000 on New or Used Machine

Section 179 Deduction = \$128,000

PLUS 14% regular depreciation on remaining property basis (\$272,000) = \$ 38,080

TOTAL First-year Deduction = \$166,080

NEW LAW - \$400,000 New Machine

Sec. 179 Deduction = \$250,000

PLUS 50% Bonus Depreciation on remaining basis = \$ 75,000

AND 14% on remaining 1st year basis of property = \$ 10,500

TOTAL 2008 Deduction on \$400,000 new Machine = \$335,500

Total 2008 Deduction on \$400,000 **used** Machine = \$271,000
(Bonus Depreciation does not apply to used equipment)

* Examples assume customer is in 7-year asset depreciation class

If you have any questions, contact Liz Nicolson, Government Relations Director, AMT, at enicolson@amtonline.org or 703-827-5229