

CHECK OUT THIS 2008 TAX BREAK FOR YOUR BUSINESS

New tax breaks for small businesses could make investing in new equipment a tax-smart move in 2008. The *Economic Stimulus Act of 2008* offers generous business expensing and depreciation limits to encourage capital purchases. But like most IRS breaks, there are a few strings attached.

The new rules increase what is known as the "Section 179" deduction, which is a direct write-off of the cost of qualified new or used business property in the year purchased. For tax years beginning in 2008, this deduction is nearly doubled, rising from \$128,000 to \$250,000. This means that if you purchase as much as \$250,000 worth of property, you may be able to deduct the entire amount from your 2008 taxable income. To qualify, the equipment must be tangible business property or computer software (no real estate).

The catch? The asset must be both purchased and placed in service before January 1, 2009. Also, if your total 2008 equipment purchases exceed \$800,000, the deduction is reduced dollar-for-dollar by the amount exceeding \$800,000. Equipment costs not eligible for the deduction must follow normal depreciation rules.

The good news, however, is that the *Economic Stimulus Act* also increased first-year depreciation limits to 50% of the adjusted basis of new property. The types of assets eligible for bonus depreciation are generally the same as for Section 179 expensing, except that the asset must be new, not used. In addition, leasehold improvements to real property may qualify.

Business vehicles also get into the bonus depreciation act. Brand new cars and trucks purchased and placed in service in 2008 may qualify for around \$11,000 in first-year depreciation – an increase of \$8,000 over previous limits.

Take note: These changes are good for 2008 only, so you must act before the end of the year. For complete details, give us a call at 402-390-2480.