



Good News:

The 2009 Economic Stimulus Package extends the Section 179 expensing for small business equipment purchases, as well as a 50% bonus depreciation allowance for NEW Machine Tools and other equipment ordered and placed into service during 2009.

Example 1

SECTION 179 BOOST FOR SMALL BUSINESSES

Under the one-year extension, small businesses (whose total equipment purchases in 2009 don't exceed \$800,000) can ALSO expense the first \$250,000 for the 2009 tax year (until 1/1/10). The 50% bonus depreciation can then be taken on the remaining basis of the machine, if it is new.

OLD LAW (pre-2008 change and 2009 extension) - \$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 (In 2007 and <u>again in 2010</u>)	= \$166,080

2009 LAW - \$400,000 New Machine

Section 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 2009 Deduction on \$400,000 new Machine	= \$335,500—a recovery of 84%

Example 2

50% BONUS DEPRECIATION only...

OLD LAW (pre-2008 change and 2009 extension) - \$100,000 on New Machine

1st year Total Depreciation = 14% (In 2007 <u>and again in 2010</u>)	= \$14,000
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2009 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 2009 Deduction on \$100,000 machine	= \$ 57,000—a recovery of 57%

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

- √ The \$250,000 in Section 179 expensing is extended for new and used equipment purchases made and placed in service in 2009. Moreover, the cap on how much equipment can be purchased to enjoy the write-off remains at \$800,000 in 2009.
- √ The Section 179 amount decreases to \$128,000 in 2010; and in 2010 the cap drops to \$510,000.
- √ The one-year 50% bonus depreciation means you can write off in 2009 an extra 50% of the cost of your new equipment that you buy and start using in 2009.
- √ **No extension on depreciation bonus for 2010.** On a \$100,000 machine (as in Example 2) that amounts to 43% more in immediate writeoff if purchased in 2009.

If you have any questions, please contact your tax accountant