

Economic Stimulus Provides Tax Benefits to Businesses

Kenneth A. Miles, CPA, Partner

NSBN LLP

The Economic Stimulus Act of 2008, which has been officially signed into law, provides businesses with two tax incentives for 2008. At NSBN, we don't want any qualified Chamber members to miss out on these important saving opportunities for your business.

50% bonus depreciation is back for a limited time. The rules behind bonus depreciation are a bit complex. Under the new law, a taxpayer is entitled to depreciate 50 percent of the adjusted basis of certain qualified property during the year that the property is placed in service. To qualify for the 50 percent special depreciation allowance under the new law, the property must be placed in service after Dec. 31, 2007, but generally before Jan. 1, 2009. The property must be eligible for depreciation under MACRS with a depreciation period of 20 years or less; or water utility property; or off the shelf computer software; or qualified leasehold property.

Limitations have also been raised under this act for **Luxury Autos**. The new law raises the cap to \$8,000 if bonus depreciation is claimed for a qualifying vehicle. This may result in a first year depreciation of up to \$11,060.

Section 179 expensing limit has nearly doubled so that the maximum amount a businesses may write off under IRS code section 179 goes from \$128,000 in 2007 to \$250,000 during 2008. The \$250,000 amount provided under the new law is reduced if the cost of all qualified property placed in service by the taxpayer during the tax year exceeds \$800,000. Businesses not on a calendar year should note that the new expensing limits apply to tax years beginning in 2008.

California law has not conformed to either of these provisions.

About NSBN LLP

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