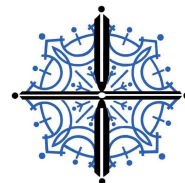


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2008 Economic Stimulus Act Provides Tax Benefits to Businesses on the Purchase of New and Used Equipment

WASHINGTON — In addition to providing stimulus payments to individuals, the Economic Stimulus Act of 2008 provides incentives to businesses. These incentives include a special **50-percent depreciation allowance** for 2008 purchases and an increase in the small business expensing limitation for tax years beginning in 2008.

Section 179 Expensing: In general, a qualifying taxpayer can elect to treat the cost of certain property as an expense and deduct it in the year the property is placed in service instead of depreciating it over several years. This property is frequently referred to as Section 179 property, after the relevant section in the Internal Revenue Code.

Under the new law, a qualifying business can expense up to \$250,000 of section 179 property purchased by the taxpayer in a tax year beginning in 2008.

50-Percent Special Depreciation Allowance: 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. This is similar to the special depreciation allowance that was previously available for certain property placed in service generally before Jan. 1, 2005, often referred to as "bonus depreciation."

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.

Will this apply to used equipment? We asked the Tax Guru and this is what he said:

One of the most common questions I am still receiving is whether the Section 179 expensing election is only available for the purchase of brand new assets or whether things such as used vehicles or equipment qualify. The answer is still the same. **The asset just has to be new to you.**

You can claim the deduction for items purchased from anyone other than yourself or an entity controlled by you, such as a closely held corporation.

<<http://www.taxguru.org/incometax/Rates/Sec179.htm>>



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