

## Economic Stimulus Tax Act Provisions for Businesses Increases Section 179 Expense and Allows for First-Year Depreciation for Certain Property Purchases in 2008

### **Boosted Section 179 Expensing**

Under current law, taxpayers can expense up to \$128,000 for 2008 (as indexed for inflation). This annual expensing limit is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during 2008 exceeds \$510,000 (as indexed for inflation). The amount of the expensing deduction is limited to the amount of taxable income from any of the taxpayer's active trades or businesses. For tax years beginning in 2008, the Stimulus Act will increase the \$128,000 expensing limit to \$250,000 and boosts the overall investment limit from \$510,000 to \$800,000.

### **Bonus First-Year Depreciation**

Bonus first year depreciation was first allowed following the terrorist attacks of 2001, but under current law generally isn't available for property acquired after 2004 (there are some exceptions, such as for qualified GO Zone property generally placed in service before 2008). The Stimulus Act generally permits a bonus first-year depreciation deduction of 50% of the adjusted basis of qualified property acquired and placed in service after December 31, 2007 and before January 1, 2009. The otherwise applicable "luxury auto" cap on first year depreciation will be increased by \$8,000 for vehicles that qualify.

The types of property eligible for bonus depreciation will be the same as those eligible under earlier bonus depreciation packages:

- (1) tangible property with a recovery period not exceeding 20 years;
- (2) purchased computer software;
- (3) water utility property; and
- (4) qualified leasehold improvement property. Bonus depreciation will be allowed for alternative minimum tax (AMT) as well as for regular tax purposes.

These business depreciation rates do not apply to the various states until they pass their own laws to adopt these faster depreciation rates.

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