

**Take Advantage
of the 2009
Extension of Bonus
Depreciation**

The American Recovery and Reinvestment Act of 2009 provides business owners with additional tax deductions and depreciation opportunities through 2009. The following outlines the tax benefits and the potential impact on your tax returns.

Increase in Tax Code Section 179 Deduction

Under Internal Revenue Code Section 179 as amended by the stimulus package, equipment acquisitions can be expensed (deducted from taxable income) if placed in service by December 31, 2009. Using Section 179, the amount of investment in equipment that may be immediately deducted for tax year 2009 is \$250,000, and is effective through December 31, 2009.

Property eligible for the Section 179 Deduction:

- Tangible property depreciated under MACRS with a recovery period of 20 years or less
- Off-the-shelf computer software (depreciated under Section 167(f)(1))

The equipment must be acquired for use in active conduct of a trade or business.

Increase in First Year Bonus Depreciation

The Act also includes a 50% bonus depreciation provision for qualified property acquired and placed in service during 2009. This provision applies only if there is no prior written binding contract for the equipment acquisition before January 1, 2009.

**Consider the following
finance lease example:**

Cost of equipment	\$300,000
1st year write-offs	\$250,000
• Section 179	\$25,000
• Bonus depreciation ¹	\$3,572
• Nominal 1st year depreciation ²	
Total deduction in 1st year	\$278,572
Marginal tax rate assumed 35% ³	\$97,500
Bottom line equipment cost after tax savings	\$202,500

¹50% bonus depreciation after Section 179 deduction. [\$300,000 - \$250,000 (Section 179 write-off)] x 50% bonus depreciation deduction.

²14.29% depreciation based on a seven-year asset life. [\$300,000 - \$250,000 (Section 179 write-off) - \$25,000 (bonus depreciation)] x 14.29% yearly depreciation.

³Tax savings are assuming a 35% tax bracket.

Please contact us to find out how our financing products can help you acquire new equipment.

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