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NEWS RELEASE

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WRITE-OFFS FOR BUSINESS PROPERTY ARE SET TO END AFTER 2008

Small Businesses Should Consider Buying This Year to Take Advantage of the Expiring Tax Breaks

New York, NY, Fourth Quarter, 2008 – “Rebates weren’t the only big break given to taxpayers by the 2008 Stimulus Act,” says Richard H. Sternberg, Senior Tax Analyst for the Tax & Accounting Business of Thomson Reuters. “Businesses, especially small ones, have received tax breaks that can significantly lower the effective cost of acquiring autos and other property. But, except for some special situations, the breaks are available only during the 2008 calendar year. If the breaks are not extended by legislation, taxpayers must buy before the end of 2008 to take advantage of them.”

Generally, taxpayers are required to depreciate business property—that is, deduct the cost of the property over a required period of years (instead of fully deducting the cost of the property in the year acquired). The 2008 Stimulus Act dramatically relaxes the depreciation requirement for *all* businesses by providing 50% “bonus depreciation.” The 50% “bonus depreciation” rule permits a taxpayer to deduct, in the tax year purchased, 50% of the cost of most new property (except for land and buildings) acquired by the taxpayer *during calendar year 2008*.

Moreover, the 50% “bonus depreciation” only *partially* reduces the *other* depreciation deductions that apply to the machinery, furniture, technological equipment, software and other property for which the 50% “bonus depreciation” is available. For example, a business is ordinarily entitled to claim a depreciation deduction of only 20% of the cost of a new computer in the tax year that it is purchased. If, on the other hand, the business buys the computer *before the end of 2008*, the computer is eligible for the 50% “bonus depreciation,” so that the business can deduct a total of 60% (50% plus one-half of 20%) of the cost of the computer in the tax year that it is purchased.

The 2008 Stimulus Act gave a special break to small businesses. Even before the Act, a small business (as defined by the amount of property that a business places into service during the year) was allowed to completely avoid the depreciation requirement by making an “expensing election” in lieu of depreciation. Under the election, small businesses are allowed to deduct in the year of purchase, subject to an overall dollar limit (not a per-asset dollar limit), 100% of the cost of most new



**Businesses Tax Breaks to
Expire in 2008**

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or used property (excluding land, buildings and certain other land improvements). The Act raised the dollar limit to \$250,000 (from \$128,000) for 2008, but only for 2008.

Says Sternberg, "Unless there is extending legislation, the ceiling amount will return to an amount projected to be somewhere between only \$130,000 and \$135,000 for 2009. So, small businesses should acquire eligible property *before the end of 2008* if they want to maximize the amount of property eligible for the "expensing election." Note also that for 2008, but only for 2008, the definition of a small business is widened. That means, it is possible that some taxpayers who, under the 2008 Stimulus Act, are eligible to make an expensing election for 2008 will not, absent extending legislation, be able to make *any* expensing election for 2009."

For business autos, depreciation deductions and expensing deductions are subject to annual dollar caps. The 2008 Stimulus Act raised the year-of-acquisition dollar-cap to \$10,960 for business autos acquired in 2008 (\$11,160 for small trucks and vans that are treated as autos). Before the Act, the year-of-acquisition dollar cap for business autos acquired in 2008 was \$2,960 (\$3,160 for small trucks and vans that are treated as autos). The raised cap, which was provided primarily to let vehicles that are subject to the cap receive all, or a significant part of the benefit of the 50% "bonus depreciation" made available by the 2008 Stimulus Act, applies only to vehicles acquired *in 2008*.

"This all translates to buy now if you need equipment for your business or a new business car," says Sternberg. "Conditions have never been more ideal. It is possible that new legislation will extend all of this, but it's already the end of the year. That means if you're not shopping for electronics and cars, do it now."

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