

## 2008 Economic Stimulus Bonus Depreciation Allowance

- **What is the program?**
  - 2008 Economic Stimulus Bonus Depreciation Allowance
- **Who can benefit from it?**
  - All businesses that purchase software or hardware during 2008 (Consult your Tax Advisor for specific exclusions and limitations)
- **Value to your business**
  - Provides companies with a means to reduce 2008 taxable income.
  - For software purchases, companies can take a first year bonus deduction of 50% in 2008 (in addition to the regular depreciation allowance). For hardware, companies can take a total of 60% bonus depreciation deduction in the first year.
- **Timing**
  - Available for assets placed in service in 2008.
- **How does it work?**

Example: A company makes a \$50,000 software purchase, with a depreciation deduction of 50%, the bonus depreciation deduction will be \$25,000. This \$25,000 is a bonus deduction which helps a company reduce 2008 taxable income.

### *Summary Extract*

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#### 2008 Economic Stimulus Act Provides Tax Benefits to Businesses

You may be aware of the recent Economic Stimulus Act of 2008 and what it means for individuals in the United States. However, many are not aware that there are substantial business benefits as well. 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.

1. **50 Percent Depreciation Allowance** - For software that is purchased in 2008, companies can take an extra first year depreciation deduction of 50% in 2008. For hardware, companies can take up to 60% total depreciation in the first year.
2. **Expensing** - There is temporary increase in the amount of capital equipment that can be expensed immediately for tax purposes rather than depreciated over the life of the asset. Before this act, a company could expense \$128,000 worth of equipment. In 2008 this amount has been increased to \$250,000. There are limitations that can reduce this benefit if a company spends more than \$800,000 for equipment in 2008.

These incentives permit companies to reduce their taxes for their capital expenditures much quicker than through the normal depreciation expensing that can delay the tax savings over several years.

#### **Useful Links**

- [www.irs.gov/pub/irs-pdf/p553.pdf](http://www.irs.gov/pub/irs-pdf/p553.pdf)
- <http://www.irs.gov/newsroom/article/0,,id=181364,00.html>
- <http://www.irs.gov/newsroom/article/0,,id=179227,00.html>