



John G. Weber Co., Inc.
Machinery, Systems
and Engineering

Economic Stimulus Act of 2008

Passed by Congress on February 7, 2008.

1. Section 179 Deduction – Increased from \$125,000.00 to \$250,000.00

(Available on all equipment delivered in 2008, even if the equipment was ordered in 2007 but not delivered until 2008)

A business that places in service in a taxable year beginning in 2008 depreciable tangible personal property (machinery), including software, used in the active conduct of a trade or business may elect under Section 179 of the Internal Revenue Code to deduct up to \$250,000 (increased from \$128,000) of the cost of such property. The \$250,000 maximum amount that can be expensed is reduced dollar-for-dollar if qualifying property in excess of \$800,000 (increased from \$510,000) is placed in service in 2008. **Important: For taxable years beginning in 2009 and thereafter, the limitation amounts under Sec.179 will be reduced back to the \$128,000.00 deduction and \$510,000.00 limit that would normally have been in place for this year. See attached examples:**

2. 50% Bonus Depreciation (Available on equipment ordered and delivery in 2008)

For both the regular tax and the alternative minimum tax, the first-year depreciation deduction otherwise allowed on certain qualified tangible personal property **acquired and placed** in service during 2008 is increased by 50 percent of the cost of such property. The remaining 50% of the machine is depreciated evenly over a seven year period, including the first year. This means the customer can now depreciate about 57 % of the Adjusted Cost of the property in the first year. The Adjusted Cost of the property is the total cost of the property less any Section 179 Deduction they may qualify for. **See attached examples:**

The key here is that the item placed in service must be original use property – In other words, used items are not allowed the bonus amount.

3. Types of financing that allow the customer to take advantage of these write-offs:

1. Capital or Finance Leases, which are \$ 1.00 purchase option leases
2. Bank line of credit
3. Bank installment loan
4. Cash payments
5. Call for Special Lease Options

4. Use tax savings to make lease payments:

Equipment leases that include a \$ 1.00 purchase option qualify for both the additional first year depreciation and Federal Section 179 write-off. Companies can use their potential first year tax savings to cover all or the majority of their required cash flow the first 12 months.

Please call for examples on the machine you wish to purchase.