

New in 2008!  
Important tax  
advantages to help  
you save money!

# Tax Benefits of Financing

## *Economic Stimulus Act of 2008*

To stimulate the economy and help businesses grow, the United States Government amended tax laws to promote business growth. By accelerating tax deductions, the Economic Stimulus Act of 2008 provides business owners with additional tax depreciation opportunities. The following outlines the benefits and the impact they may have on 2008 tax filings.

## *Increase in Tax Code 179 deduction*

Under IRS Section 179, equipment purchases can be expensed (deducted from taxable income), if installed after December 31, 2007 and before January 1, 2009. Utilizing Tax Code 179, the amount of investment that may be immediately deducted by businesses is increased to \$250,000. This \$250,000 deduction takes effect for the taxable year of 2008. Tax payers may purchase up to \$800,000 of qualifying equipment each tax year before the write-off is reduced dollar for dollar. Property included in the 179 deduction:

- Tangible property depreciated under MACRS with a recovery period of 20 years or less,
- Computer software (depreciated under Section 167(f)(1)),
- Qualified leasehold improvement property (defined in Section 168(k)(3))

The equipment should be acquired by purchase for use in active conduct of a trade or business and placed in service.

## *Bonus depreciation*

Back for 2008 only, a taxpayer is allowed to claim a special first-year depreciation allowance of 50% for new property acquired and placed in service. The 50% special depreciation allowance is in addition to regular depreciation and Section 179 deduction.

## *Consider the following example:*

Equipment Purchase:	\$300,000	
1st Year Write Offs:		
Tax Code 179	\$250,000	
Bonus 50% Depreciation*	\$ 25,000	
Normal 1st Year Depreciation**	<u>\$ 5,000</u>	
Total Deduction in First Year	\$280,000	
Marginal tax rate assumed 35%	\$ 98,000	
Bottom line cost after tax savings in year one	\$ 202,000	
		* Bonus depreciation: 50% of the remaining portion (\$300,000 - \$250,000 = \$50,000; \$50,000 x 50% = \$25,000).
		**Regular MACRS depreciation (\$25,000 x 20% = \$5,000).

Don't delay! These significant tax benefits are only available in 2008. After 2008, the Tax Code 179 benefits will return to \$125,000, and there will no longer be bonus depreciation.

For additional tax resources and complete tax rules, please visit the following websites:

- [www.irs.gov](http://www.irs.gov)
- [www.ustreas.gov](http://www.ustreas.gov)

Unsure of what type of financing best fits your needs? Contact us at the number listed below and we will work with you to develop a finance option that works best for you and your practice.

## *Contact us:*

Globex Capital Group

Phone: (888) 474-5622, ext.  
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