

Businesses Can Reduce Their 2008 Taxable Income By \$250,000

The El Dorado County Office of Economic Development reports the 2008 Federal Economic Stimulus Bill that gives individuals \$600 to boost the economy has a business component to encourage businesses to invest in new equipment.

Businesses can deduct the full amount of their equipment purchases up to \$250,000. This deduction is allowable even if you financed the equipment over several years.

Here's an example of how this legislation can be used by business: Businesses may invest in new equipment or software and deduct the entire amount up to \$250,000 this year. They can finance this equipment and pay for the equipment with a bank equipment loan, but receive the full tax deduction this year – lowering this year's net taxable income by up to \$250,000.

What if your business income is less than \$250,000? You can reduce your net taxable income this year to \$0 and then carry forward any unused deduction to next year.

This deduction, known as the Section 179 deduction, was developed so that a business that invests in new equipment can keep more of its net earnings to reinvest in their business. The 2008 Economic Stimulus Bill doubled the deduction for businesses.

Larger businesses that have already used their Section 179 deduction can get a bonus deduction- a 50% additional deduction for the first year.

Businesses purchasing a car or truck also get benefits from this legislation. Normally businesses are limited in the amount they can deduct the first year (Section 280F). However this limit has now been doubled to \$8000. If you get a loan on your car or truck and pay it over five or six years, you will be getting the tax benefits years before you have to pay for the vehicle.

These incentives are for federal taxes only. Purchases must be made in your 2008 taxable year, so watch out if you do not use a calendar tax year.

Are you interested in other tax incentives for business? The El Dorado County Office of Economic Development hosts the Tools for Business at <http://www.co.eldorado.ca.us/economic>. On the website, select "Tools for Business". You will find the heading "Incentives". If you find an incentive that will benefit your business, be sure to consult with your tax advisor and the sponsoring agency to make sure that you qualify.