



## 2009 Economic Stimulus Plan

The American Recovery and Reinvestment Act extends increased Section 179 expensing for small business equipment purchases made in 2009, as well as a 50% bonus depreciation allowance for new machine tools and other equipment ordered and placed into service during 2009.

The boost to \$250,000 in Section 179 expensing is extended for new and used equipment purchases made and placed into service in 2009. The amount will decrease to \$128,000 in 2010. In addition, the cap on how much equipment can be purchased to enjoy the write-off remains at \$800,000 in 2009. In 2010, that amount drops to \$510,000.

The one-year 50% bonus depreciation means an extra 50% of the cost of new equipment that you buy and start using in 2009 can be written off.

### 50% BONUS DEPRECIATION

#### OLD LAW (pre-2008 change and 2009 extension) - \$100,000 New System

1st year Total Depreciation = 14% = **\$14,000**

#### 2009 LAW - \$100,000 New System

1st year Bonus Depreciation = 50% of \$100,000 = \$50,000

PLUS 14% regular depreciation on remaining property basis (\$50,000) = \$7,000

Total 2009 Deduction on \$100,000 system = **\$57,000**

### Section 179 Boost for Small Businesses

Under the one-year extension, small businesses (whose total equipment purchases in 2009 do not exceed \$800,000) can ALSO expense the first \$250,000 for the 2009 tax year (until 1/1/10). The 50% bonus depreciation can then be taken on the remaining basis of a new system.

#### OLD LAW (pre-2008 change and 2009 extension) - \$400,000 on New or Used Systems

Section 179 Deduction = \$128,000

PLUS 14% regular depreciation on remaining property basis (\$272,000) = \$38,080

TOTAL First-year Deduction = **\$166,080**

#### 2009 LAW - \$400,000 New Systems

Section 179 Deduction = \$250,000

PLUS 50% Bonus Depreciation on remaining basis = \$75,000

AND 14% depreciation on remaining 1st year basis of property = \$10,500

Total 2009 Deduction on \$400,000 NEW Systems = **\$335,500**

*(Bonus depreciation does not apply to used equipment)*