

2008 Economic Stimulus

By Jason T. Giordano, CPA, MST

Almost every day, there's another news report about the slowing economy. After years of the strong growth, the economy is slowing in many sectors and in many areas of the country. To help jumpstart the economy, Congress recently passed the Economic Stimulus Act of 2008. It's designed to inject \$152 billion into the U.S. economy. More than 100 million Americans will receive rebate checks this year, along with child payments for qualifying children. Medical Practices can take advantage of two tax breaks: enhanced Code Sec. 179 expensing and bonus depreciation.

SMALL BUSINESS EXPENSING

Before the new law, a business could expense up to \$128,000 of the cost of qualifying property in 2008. If the cost of qualified property placed in service during the year is more than \$510,000, the ceiling for that business is reduced by the amount over the applicable limit. Under the new law, a business can expense up to \$250,000 of the cost of qualifying property and the old \$510,000 ceiling jumps to \$800,000. These are some very generous changes. If you're thinking about making a purchase for your Medical Practice, give us a call. We can help you maximize your tax savings under the new law.

The new law makes no changes to the general rules for the types of property that are eligible for expensing. Generally, the property must be tangible personal property, which is actively used in the taxpayer's business and for which a depreciation deduction would be allowed. The property must be used more than 50 percent for business and must be newly purchased property. The existing exception for computer software applies to the enhanced expensing amounts under the new law.

BONUS DEPRECIATION

The other incentive is bonus depreciation. The new law provides qualifying taxpayers 50 percent first-year bonus depreciation of the adjusted basis of qualifying property. This provision is substantial, providing American businesses with an estimate \$44 billion in additional deductions in 2008.

To be eligible to claim bonus depreciation, property must be (1) eligible for the modified accelerated cost recovery system (MACRS) with a depreciation period of 20 years or less; (2) water utility property; (3) computer software (off-the-shelf); or (4) qualified leasehold property. The property generally must be purchased and placed in service during 2008. Original use of the property must begin with the taxpayer and must occur after December 31, 2007 and before January 1, 2009. There are exceptions for certain transportation property.

The new law also increases the Code Sec. 280F limitations on "luxury" auto depreciation to accommodate a modified version of the 50 percent bonus depreciation available to other "MACRS" property. The first-year limit on depreciation for passenger automobiles placed in service in 2008 is projected to be \$2,960 for passenger vehicles and \$3,160 for vans and trucks. The new law increases this limit to \$8,000 if bonus depreciation is claimed for a qualifying vehicle placed in service in 2008 (for a maximum first-year depreciation of no more than \$10,960 for autos and \$11,160 for vans or trucks). If the vehicle is not predominantly used for business in a subsequent year, then bonus depreciation must be recaptured.

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