

ECONOMIC STIMULUS ACT PROVIDES INCENTIVES FOR NEW EQUIPMENT PURCHASES



Provisions to stimulate capital goods sales are timely for agriculture

Most news articles about the Economic Stimulus Act of 2008 focused on the tax rebates of up to \$600 for individuals and up to \$1,200 for married couples.

There's a bigger story for farmers: The Act includes incentives to invest in new capital equipment.

As with similar tax incentives in prior years, these incentives truly fulfill their objectives. They provide the opportunity for you to invest in equipment that will help you be more productive rather than spend the money in taxes.

In this period where higher commodity prices are raising farm income levels, these provisions are especially timely. You can add equipment that will help reduce your operating costs while at the same time reducing tax liabilities.

Key provisions of the Act for equipment purchased and put into service in 2008 include:

- The Section 179 deduction limit is increased to \$250,000, which is nearly double the prior limit.
- The Section 179 Maximum Investment limitation has increased from \$510,000 to \$800,000. The Section 179 Deduction is phased out for each dollar of purchases exceeding \$800,000.

- There's a first-year 50 percent bonus depreciation allowance.

These new incentives, combined with normal depreciation, can generate substantial depreciation deductions, as the chart shows.

"Using the tax-advantaged opportunities available to you is part of good financial management," explains Tim Biewer, director of marketing for CNH Capital.

"The incentives provided as part of this current Economic Stimulus Act can help you invest in new equipment with dollars that would otherwise be spent for taxes. Encouraging this type of investment is a primary reason for the Act."

Biewer recommends that you meet with your financial advisors several times throughout the year to review cash flow statements and income projections. You can factor in equipment purchases, applying these new incentives, to see how acquiring new equipment will affect your estimated tax exposure. ■

POTENTIAL DEPRECIATION DEDUCTIONS WITH ECONOMIC STIMULUS ACT OF 2008 INCENTIVES		
TOTAL PURCHASES:	\$250,000	
Eligible purchases:	\$250,000	
Section 179 deduction:	\$250,000	
50 percent bonus depreciation:	—	
Normal first-year depreciation:	—	10.71%
Total first-year depreciation deduction:	\$250,000	
TOTAL PURCHASES:	\$500,000	
Eligible purchases:	\$500,000	
Section 179 deduction:	\$250,000	
50 percent bonus depreciation:	\$125,000	
Normal first-year depreciation:	\$ 13,388	10.71%
Total first-year depreciation deduction:	\$388,388	
TOTAL PURCHASES:	\$1,000,000	
Eligible purchases:	\$1,000,000	
Section 179 deduction:	\$ 50,000	
50 percent bonus depreciation:	\$ 475,000	
Normal first-year depreciation:	\$ 50,873	10.71%
Total first-year depreciation deduction:	\$ 575,873	
TOTAL PURCHASES:	\$2,000,000	
Eligible purchases:	\$2,000,000	
Section 179 deduction:	\$ —	
50 percent bonus depreciation:	\$1,000,000	
Normal first-year depreciation:	\$ 107,100	10.71%
Total first-year depreciation deduction:	\$1,107,100	
NOTES:		
These scenarios based on seven-year useful life MACRS depreciation and half-year convention. Some states may not allow the additional deductions under the Economic Stimulus Act of 2008.		
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THESE NEW INCENTIVES, COMBINED WITH NORMAL DEPRECIATION, CAN GENERATE SUBSTANTIAL DEDUCTIONS.

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