Reduce Your 2009 Corporate Tax Bill

Businesses can reduce taxes, improve cash flow and get a faster return on investment through the American Recovery and Reinvestment Act of 2009.

Did you know that there is a special tax break available to business who purchase capital equipment in 2009? And did you know that this special tax break expires at the end of 2009?

What is it?

The American Recovery and Reinvestment Act of 2009 contains two provisions that provide tax benefits and investment incentives for businesses. The first provision, Section 1202, temporarily amends Section 179 of the Internal Revenue Code, to increase the limit up to which a business can expense property purchased and placed in service during its 2009 tax year. The second provision, the Special Deprecation Allowance, provides an additional 50 percent special depreciation allowance for property acquired and placed in service during calendar year 2009.

Section 179 allows a company to expense the cost of equipment instead of depreciating property over a period of years. The Economic Stimulus Act of 2008 increased the maximum Section 179 expense deduction to $250,000 for equipment that is placed in service in 2008. The ARRA extends this increase for 2009. This is a 95 percent increase from the previous limitation of $128,000.

In addition to Section 179 expensing, the ARRA provides a 50 percent special depreciation allowance for equipment acquired and placed in service during 2009. Under this provision, a taxpayer is entitled to depreciate 50 percent of the adjusted basis (after subtracting any Section 179 deduction taken on that property) of qualified equipment during the year the equipment is placed in service.

What qualifies?

Bar coding, data collection and RFID equipment such as mobile computers, wireless LAN infrastructure, printing equipment and scanners can qualify. The types of equipment that qualify for benefits under the ARRA of 2009 are Section 168 property with a recovery period of 20 years or less. Equipment must be purchased and placed in service after December 31, 2008 and before January 1, 2010. The equipment must also be new - the original use must begin after December 31, 2008 and before January 1, 2010.

How does it work?

See the chart at right for an illustration of the potential impact of ARRA 2009's special depreciation allowance on purchases of $300,000 and $600,000. We also recommend that you consult with your business tax advisor to assess the specific impact on your business.

Act now!

To qualify for these special tax incentives, equipment must be purchased and in service by 12/31/2009. Contact General Data today – we can help you analyze your options for acquiring the bar coding, data collection and RFID equipment you need to take advantage of this special tax break.

Do the math...

Purchase of equipment with a total value of $300,000	
Total Eligible Equipment	$300,000
Deductions available under ARRA:	
Section 179 Deduction	$250,000
Special Depreciation Bonus (50%)	$ 25,000*
First Year Depreciation	$ 5,000
Total Tax Deduction (2009)	***$280,000***

Purchase of equipment with a total value of $600,000	
Total Eligible Equipment	$600,000
Deductions available under ARRA:	
Section 179 Deduction	$250,000
Special Depreciation Bonus (50%)	$175,000*
First Year Depreciation	$ 35,000
Total Tax Deduction (2009)	***$460,000***

*Modified Accelerated Cost Recovery System depreciation for equipment with a 5 year life.

Source: Internal Revenue Service, United States Department of the Treasury. Net Operating Loss Carryback, Section 179 Deduction and Other ARRA Business Provisions, March, 2000. http://www.irs.gov/newsroom/article/0,,id=205330,00.html

To qualify for these special tax incentives, equipment must be purchased and in service by December 31, 2009.

Contact your General Data salesperson for more information on how General Data's bar coding, data collection, printing and mobility solutions can help improve your business – and reduce your 2009 tax bill.

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