

New Economic Stimulus law offers economic boost to AMT member companies and customers

Two business-tax provisions contained in the much-heralded economic stimulus package signed into law Feb. 13 will significantly help AMT member companies and their customers who act upon them.

The new law -- officially called the "The Recovery Rebates and Economic Stimulus for the American People Act of 2008" -- provides both 50% first-year bonus depreciation for new capital expenditures -- like machine tools -- that are ordered and placed in service during 2008, and an increase in how much small businesses can write off under Section 179 for new and used equipment purchases in 2008.

"We fought hard for both of these provisions," said AMT President John B. Byrd III, who attended the White House ceremony during which President Bush signed the new law into effect. "They will help many of our AMT member companies and their customers increase their productivity. Congress and the President have produced an economic-stimulus package that is a big win for American manufacturing technology."

AMT estimates that approximately 70 percent or more of its member companies may be able to benefit from one or both of these provisions, particularly since small companies that purchase new equipment this year -- including those buying machine tools and other technology from AMT companies -- can take advantage of both the 50% bonus depreciation and the increased Section 179 expensing.

Byrd emphasized that it is important for AMT companies and their clients to learn about these two benefits as soon as possible, because -- with one specific exception -- the new law only allows them for equipment purchased and placed in service during 2008. According to Byrd, the exception to that 2008 placed-in-service requirement allows qualifying companies to still receive the 50% bonus depreciation if: the new equipment they order has a recovery period of 10 years or more, it takes more than a year to produce and it costs more than \$1 million. Under those circumstances, they are given until the end of 2009 to place the equipment into service, he said.

Here's how the two business tax provisions in the new law can work for AMT member companies and their customers:

50 Percent Bonus Depreciation

Bonus depreciation allows businesses an extra one-year boost in how much they can deduct on capital expenditures like equipment that normally would depreciate over time. For example, under the old law, a new \$100,000 machine could only provide a 2008 depreciation deduction of 14% of its costs, or \$14,000. Under the new law, first-year depreciation can be \$57,000: 50 percent of the \$100,000 machine cost (\$50,000) plus 14 percent regular depreciation on the remaining \$50,000 property basis, or \$7,000. That means the new law creates a 43 percent greater tax deduction for a new 2008 machine purchase.

Expensing for Small Business

The increased Section 179 expensing for small business more than doubles the amount that small businesses can write off for new or used equipment purchased and put into service during 2008 -- from \$128,000 to \$250,000. Additionally, the new law significantly increases the amount that small businesses can purchase during the year in capital expenditures and still receive the full benefits of the Section 179 expensing option -- from the previous cap of \$510,000 to \$800,000 for 2008. Moreover, the law allows qualifying small businesses to use both the increased Section 179 expensing and, afterward, the 50% bonus depreciation on the remaining basis of the equipment if it's new.

“These two provisions in the economic stimulus package are enormous benefits to our members and their customers,” said Byrd.

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