



TAX ALERT

Economic Stimulus Act of 2008

Wilkin & Guttenplan, P.C.

Certified Public Accountants
& Consultants

1200 Tices Lane
East Brunswick, NJ 08816
732-846-3000
fax: 732-846-0618
www.wgcpas.com

The Economic Stimulus Act of 2008 was enacted in February 2008. The new legislation will provide tax benefits to both business and individual taxpayers. This alert briefly explains the most important of these changes.

Temporary Increase in Limitations on Expensing of Certain Depreciable Business Assets

As in previous years, businesses can make an election to write off the cost of certain business fixed assets rather than recover the costs through depreciation deductions. In 2007, businesses which acquired business assets of not more than \$500,000 in a year were allowed an immediate write-off of up to \$125,000 of business assets. The stimulus package will now allow businesses which acquire business assets of not more than \$800,000 to expense up to \$250,000 of business assets, rather than depreciate them over time. This provision is effective for the 2008 taxable year. Business assets, for this purpose, include most tangible property used in an active business except for real estate.

Special Allowance for Certain Property Acquired During 2008

A depreciation deduction is allowed for tangible business property according to

IRS tables. The amount of depreciation for each taxable year is based on the classification of the property and the allowable depreciation method. The new law will permit an additional first-year depreciation deduction for both regular tax and alternative minimum tax (AMT) purposes for the taxable year. For qualified business property placed into service in 2008, businesses will be allowed to take an additional depreciation deduction equal to 50% of the cost of the property. While not identical, the definition of qualified business property, for this purpose, is similar to that of business assets described above.

Rebates for Individuals

In an effort to invigorate the economy, the new legislation will provide one time rebates of up to \$600 for individuals and up to \$1,200 for couples filing jointly, with an additional payment of \$300 for each qualifying dependent child.

The actual amount refunded will be phased out based on adjusted gross income of the 2007 tax return. Individuals with adjusted gross income of greater than \$75,000 and couples with income of greater than \$150,000 should expect a reduced refund amount. Single filers with no dependent children and an adjusted gross income of more



than \$87,000 as well as joint filers with no dependent children and an adjusted gross income of more than \$174,000 should not expect a refund check. Taxpayers with dependent children will have higher income thresholds before the rebate is fully phased out.

Individuals who were not required to file a 2007 tax return may wish to file one anyway in order to receive a rebate, if otherwise eligible.

The above represents a summary of the new rules and does not address all of the details contained in the new legislation. For clarification or more information on these and other tax matters, contact your W&G tax advisor at 732-846-3000.

Any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.