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SECTION 179 TAX INCENTIVES FOR NEW EQUIPMENT PURCHASES EXTENDED THROUGH DECEMBER 31st 2009

The recently enacted bipartisan Economic Stimulus Plan contains increased Section 179 expensing for 2009 small business equipment purchases, as well as a one -year 50% bonus depreciation allowance for new machine tools and other equipment ordered and placed in service during 2009.

- The boost in Section 179 expensing increases the amount that small businesses can write off for new and used equipment purchases in 2009 from the current \$128,000 to \$250,000. Moreover, the cap on how much equipment can be purchased to enjoy the write-off has been increased from the current \$510,000 to \$800,000.
- The one-year 50% bonus depreciation means you can write off in 2009 an extra 50% of the cost of your new equipment that you buy and start using in 2009.

Here's how the new provisions work for our **WARDJet customers:**

Let's assume that the YOUR COMPANY orders and puts into service a new machine tool costing \$100,000. Under the new 50% bonus depreciation, YOUR COMPANY* can write off 57% of the asset in the first year, as opposed to only 14% had bonus depreciation not been enacted for the 2009 tax year.*

50% BONUS DEPRECIATION

OLD LAW (pre-2008 change) - \$100,000 New Machine

1st year Total Depreciation = 14% = \$14,000

NEW LAW - \$100,000 New Machine

1st year Bonus Depreciation: 50% of \$100,000 = \$50,000

PLUS 14% regular depreciation on remaining property basis (\$50,000) = \$ 7,000

TOTAL 2009 Deduction on \$100,000 machine = **\$57,000**

That's 43% More (\$43,000) in Tax Deduction for 2009 new machine purchase!

SECTION 179 BOOST FOR SMALL BUSINESSES

Under the new law, small businesses (whose total equipment purchases in 2009 don't exceed \$800,000) can now ALSO expense the first \$250,000 for the 2009 tax year (until 1/1/2010). The 50% bonus depreciation can then be taken on the remaining basis of the machine, if it is new.

OLD LAW (pre-2008 change) - \$400,000 on New or Used Machine

Section 179 Deduction = \$128,000

PLUS 14% regular depreciation on remaining property basis (\$272,000) = \$ 38,080

TOTAL First-year Deduction = \$166,080

NEW LAW - \$400,000 New Machine

Sec. 179 Deduction = \$250,000

PLUS 50% Bonus Depreciation on remaining basis = \$ 75,000

AND 14% on remaining 1st year basis of property = \$ 10,500

TOTAL 2009 Deduction on \$400,000 new Machine = \$335,500

Total 2009 Deduction on \$400,000 used Machine = \$271,000

(Bonus Depreciation does not apply to used equipment)

* Examples assume customer is in 7-year asset depreciation class

(WARDJet disclaims any and all responsibility or liability for the accuracy, timeliness, content, completeness, legality, or reliability of the information posted above. If you have any questions about this 2009 Tax incentive, contact Liz Nicolson, Government Relations Director, AMT, at enicolson@amtonline.org or 703-827-5229 - AMT - The Association For Manufacturing Technology – or visit the Section 179 Website at <http://www.section179.org>)

For more information about WARDJet please call us at 330-677-9100, email us at sales@wardjet.com or visit us online at www.wardjet.com

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180 South Ave / PO Box 517 Tallmadge, Ohio 44278 www.wardjet.com

Phone: (330) 677-9100 Fax: (330) 677-9121 Email: sales@wardjet.com

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