

# How Your Woodworking Business May Benefit from the 2008 Economic Stimulus Act

## ! Buy & install before 2008 ends

According to the Economic Stimulus Act of 2008, companies that purchase less than \$800,000 of capital assets now have the ability to expense \$250,000 of that investment, **nearly double** the amount from last year. Some smaller businesses may also qualify for the new 50% bonus depreciation on capital equipment that is placed-in-service before January 1, 2009. This Act is a HUGE incentive that can help to improve the bottom line for many companies if they act quickly. Early action will be required on the sales of any large systems that require engineering lead-time or installation. This creates the perfect opportunity to gain a powerful advantage with the latest technology equipment, giving you an edge above the competition.

**Want more details?** Turn the page to see examples of just how these tax reforms demonstrate increased deductions and improved cash flow!



## Example 1 Company A

Purchase price	\$200,000
First Year Depreciation Write-off <i>(Maximum Section 179 write-off in 2008)</i>	\$200,000
Remaining adjusted value	\$00.00
<b>Bonus</b> 1st year write-off – <b>50%</b> <i>(on remaining value: \$200k - \$200k = \$0k x 50%)</i>	\$NA
Regular first year write-off <i>(20% depreciation taken over 5 years: \$0k x 20%)</i>	\$00.00
Total First-Year Depreciation =	\$200,000 (100% of new asset)
Tax Savings =	\$80,000* (assuming 40% effective tax rate)

**New Effective Price - \$120,000 – a 40% Savings!**



## Example 1 Company B

Purchase price	\$300,000
First Year Depreciation Write-off <i>(Maximum Section 179 write-off in 2008)</i>	\$250,000
Remaining adjusted value	\$50,000
<b>Bonus</b> 1st year write-off – <b>50%</b> <i>(on remaining value: \$300k - \$250k = \$50k x 50%)</i>	\$25,000
Regular first year write-off <i>(20% depreciation taken over 5 years: \$25k x 20%)</i>	\$5,000
Total First-Year Depreciation =	\$280,000 (93.33% of new asset)
Tax Savings =	\$112,000* (assuming 40% effective tax rate)

**New Effective Price - \$188,000 – a 47<sup>1</sup>/<sub>3</sub>% Savings!**



Remember these tax savings are for 2008 only. The equipment must be installed and put into use before January 1, 2009, so **ACT NOW!**

\*These examples illustrate the powerful effect of the new investment incentives. As is always the case, the information may not apply to you exactly as presented. WMA strongly urges you to consult with a tax advisor for specific information as it relates to your particular tax situation.