

# Stimulate *your* company's economy...

Using the Economic Stimulus Act of 2008

## Accounting system software eligibility makes this a 'sooner than later' priority

The Economic Stimulus Act of 2008 is transforming business deductions for such expenditures as accounting system software into bonanzas.

Here's how: It permits businesses to take a 50% bonus depreciation on qualifying software (including [accounting software](#)) and hardware purchased and placed into service this year. (Of course, you'll want to consult your tax advisor to determine your eligibility, requirements and actual tax savings on any accounting solutions you're considering.)

This incentive allows taxpayers to deduct 50 percent of the [cost](#) of qualified property in addition to the regular depreciation allowance. Plus, the Act increases the amount a qualifying business can expense under Section 179 provisions to \$250,000 from \$128,000.

In a July 8 *Small Business Tech Notes* article, University of Michigan economics professor Matthew Shapiro cites the example of a company spending \$1 million: "With the new bonus depreciation provision, companies can deduct 50 percent (\$500,000) and 20 percent of the remaining balance (\$100,000), for a total of \$600,000 in the first year. The remaining cost can be depreciated over the recovery period."

For the rest of us (those who don't have a cool million sitting around to spend on accounting system software and other needed upgrades), the possibilities with smaller sums also are tantalizing. Using Shapiro's "formula," consider the following example:

***Spend \$15,000 on [accounting solutions](#). Deduct 50%, leaving \$7,500. Deduct another 20% of the balance (\$1,500), for a total first-year deduction of \$9,000. If you're in the 32% federal tax bracket, that will result in a real-dollar tax savings of \$2,880. In essence, that's a first-year actual dollar savings of 19.2% on the total cost of the accounting software/hardware.***

If you could save nearly 20% off the price of needed accounting system software or hardware this year, would you do it?

You may want to, and soon. An article in the August 4 Business Ledger notes, "Time is definitely of the essence to take advantage of these opportunities. The act allows far more depreciation deductions on purchases of most types of tangible property and computer software bought this year. These deductions reduce the taxable income of the business or its owners, with the potential to dramatically reduce your 2007 or 2008 business tax year liability. This means you will recover a far larger portion of the price of property placed in service this year through tax savings than you normally would."

Thinking about [upgrading](#) your accounting software? You may want to act now before the Act expires.

Call 800.939.4119 x1 or go to [www.wizardx4.com](http://www.wizardx4.com).