

# SPECIAL RELEASE

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## BIPARTISAN DEAL GIVES TAX BREAK UPDATE



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### **Senate stimulus plan includes high-income families – The Daytona Beach News-Journal**

A plan to send \$500-\$1,000 rebates to all but the richest taxpayers advanced in the Senate Wednesday, January 30<sup>th</sup> after Republicans and Democrats teamed to add aid for disabled veterans, the elderly and the unemployed to a House-passed economic recovery bill.

The package would make individuals with annual incomes of up to \$150,000 and couples with incomes up to \$300,000 eligible for the rebates. Qualifying families would also get \$300 for each child. The income limits compare with caps of \$75,000 for individuals and \$150,000 for couples in an economic stimulus bill the House previously passed.

The Senate plan also would expand rebate eligibility to 20 million older Americans on Social Security and to disabled veterans and tack on an unemployment extension for those whose benefits have run out.

In addition to the tax rebates for individuals, both the House and Senate bills would provide enhanced business tax breaks as part of their stimulus packages.

Under current law, taxpayers can expense up to \$128,000 for 2008. This annual expensing limit is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during 2008 exceeds \$510,000. The amount of the expensing deduction is limited to the amount of taxable income from any of the taxpayer's active trades or businesses.

Under both the House and Senate bills, for tax years beginning in 2008, the \$128,000 expensing limit would be increased to \$250,000 and the overall investment limit would be increased from \$510,000 to \$800,000.

Under both bills, most small businesses, and even some moderate sized businesses with moderate capital equipment needs, would be able to claim a full deduction for the cost of business machinery and equipment purchased in 2008, thereby reducing their effective cost for the assets.

In addition, both the House and Senate bills would provide for bonus (accelerated) depreciation, to stimulate a flagging economy, but would go about it in different ways.

- The House bill would permit a bonus first-year depreciation deduction of 50% of the adjusted basis of qualified property placed in service after Dec. 31, 2007, and before Jan. 1, 2009. The otherwise applicable "luxury auto" cap on first year depreciation would be increased by \$8,000 for vehicles that qualify.
- The Senate bill also would OK a bonus 50% depreciation allowance, but would split it equally over two years. In other words, it would permit a bonus depreciation deduction equal to 25% of the adjusted basis of qualified property for (1) the placed-in-service year, and (2) the second year. Bonus depreciation would be allowed for property placed in service after Jan. 29, 2008, and before Jan. 1, 2009. The otherwise applicable "luxury auto" cap on first year depreciation would be increased by \$7,650 (\$3,825 for each of the first and second tax years) for vehicles that qualify.