

UPDATED

STILL NEED A REASON TO GO DIGITAL THIS YEAR?

TAX LEGISLATION PASSED IN 2010 OFFERS SIGNIFICANT
TAX BENEFITS FOR EQUIPMENT PURCHASED IN 2011.



1015 Maple Street, Danville, IL 61832 :: 800-637-2645 :: www.watchfiresigns.com

Copyright 2011

THE SMALL BUSINESS JOBS ACT AND TAX RELIEF ACT OF 2010 OFFER BIG TAX SAVINGS FOR LED SIGN PURCHASES IN 2011

In September 2010, The Small Business Jobs Act of 2010 increased the Sec. 179 expensing limits and reinstated the 50% depreciation bonus for 2010. Then, in December 2010, President Obama signed the Tax Relief Act of 2010, which further extended and increased the bonus depreciation provision and adjusted the Sec. 179 limits through 2012. This legislation can provide potential tax savings for your business.

You can still act to take advantage of these tax savings. If you are considering an LED sign purchase and installation before the end of this year, this white paper can help you understand how the decision to invest now can yield benefits for your business.

More information is available at www.depreciationbonus.org. Please be sure to consult with your tax professional.

SHEDDING SOME LIGHT ON HOW YOU CAN USE THE DEPRECIATION BONUS AND SEC.179 INCREASES

What exactly does the Tax Relief Act of 2010 mean for my business?

By lowering your taxable income, the depreciation bonus and Sec. 179 can dramatically cut your 2011 tax bill, freeing up cash in the short term.

How does the depreciation bonus work? And what is eligible?

According to the overview of the Tax Relief Act of 2010 provided by the US Senate Finance Committee*:

“Under current law, businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Congress allowed businesses, beginning January 1, 2008 through December 31, 2009, to take an additional depreciation deduction allowance equal to 50 percent of the cost of the depreciable property placed in service in those years.

Under the Small Business Jobs Act of 2010, this temporary increase in the depreciation deduction allowance was extended through December 31, 2010. The bill extends and temporarily increases this bonus depreciation provision for investments in new business equipment.

For investments placed in service after September 8, 2010 and through December 31, 2011, the bill provides for 100 percent bonus depreciation.

For investments placed in service after December 31, 2011 and through December 31, 2012, the bill provides for 50 percent bonus depreciation.

The provision also allows taxpayers to elect to accelerate some AMT credits in lieu of bonus depreciation for taxable years 2011 and 2012.”

For more information, please consult your tax professional.

*<http://finance.senate.gov/legislation/details/?id=10874ed6-5056-a032-52cd-99708697eff0>

That sounds too good to be true. What's the catch?

The more depreciation you claim now, the less you will be able to claim later. In other words, your tax bill in future years will be higher because you'll have less to deduct, however, the tax savings in your pocket now means you can invest in your company now rather than having the IRS hold onto your money for a couple additional years.

Does the sign have to be new?

Yes. To be eligible for bonus depreciation, the "original use" of the LED sign must commence with the taxpayer claiming the depreciation bonus after September 8, 2010.

How long do I have to take advantage of the depreciation bonus?

The depreciation bonus is temporary. To qualify for a 100% depreciation bonus, the LED sign must be installed before Dec. 31, 2011. To qualify for a 50% depreciation bonus, the LED sign must be installed between Jan. 1 and Dec. 31, 2012.

Do I have to use the depreciation bonus?

No. The depreciation bonus is elective. Note that the depreciation bonus also applies for both regular and alternative minimum tax purposes.

How did the Small Business Jobs Act of 2010 change the Sec. 179 expensing law?

It dramatically increased the expensing limits under Sec. 179 of the Internal Revenue Code for any taxable year beginning in 2008. For the 2011 tax year, companies can expense up to \$500,000 as long as total purchases do not exceed \$2,000,000. For each dollar over, the eligible expensing amount correspondingly drops by one dollar. Thus, companies that spend more than \$2,500,000 on tangible personal property cannot take advantage of Sec. 179, but they can still use the depreciation bonus.

Can Sec. 179 and the depreciation bonus be combined?

Yes. Companies eligible for Sec. 179 can also combine it with the depreciation bonus for even bigger tax savings.

What else should I know about this legislation?

There are many features of this legislation that can benefit small businesses, including:

- Qualified small business stock capital gain exemption
- Limitation on listed transaction penalties
- Healthcare expense deduction for the self-employed

Consult your tax professional for more details.

For more information about the depreciation bonus, please contact your tax professional or visit the Internal Revenue Service website at www.irs.gov.

Watchfire Signs developed this white paper as a public service to LED sign buyers. It should not be construed as tax advice nor as a promise of potential tax savings or reduced tax liability.