

## **Now is a Great Time to Buy a Gutter Machine!**

### **Take Advantage of the 2007 Tax Breaks Available for Your Business!**

#### **Equipment Expensing**

Most small businesses are eligible for the Code Section 179 deduction, a generous and lucrative tax break that enables businesses (especially capital intensive companies) to immediately deduct up to \$125,000 in 2007 for equipment purchases that otherwise would have to be depreciated over a number of years. (The *2007 Small Business Tax Act* increased the base limit from \$112,000 to \$125,000 for tax years 2007 through 2010.)

To qualify for the deduction, equipment must be used more than 50 percent for business purposes and must be in use by December 31, 2007. The deduction applies to new and used equipment, as well as computer and software purchases. Property also eligible for Code Sec. 179 expensing includes tangible recovery property that is Code Sec. 1245 property (i.e. most depreciable property other than buildings and land improvements). If feasible, consider maximizing the deduction by using the expensing deduction for property with the longest recovery period. However, the Code Sec. 179 deduction is essentially a "use it or lose" tax break: any unused Code Sec. 179 allowance cannot be rolled over into the next year.

If your business is considering additional equipment purchases but is close to reaching the \$125,000 expensing limit this year, consider postponing additional purchases until 2008, if possible. In 2008, you can deduct another \$125,000 (or more, as adjusted for inflation) for equipment purchases.

The expensing deduction does begin to phase-out by the amount by which qualifying property placed in service during the tax year exceeds the investment limitation, which was formerly \$450,000. The *2007 Small Business Tax Act* retroactively raised the investment limitation to \$500,000 for tax years beginning in 2007 through 2010. This means that, for 2007, the maximum amount that you can expense under Code Sec. 179 is reduced dollar-for-dollar for eligible property placed in service during the tax year in excess of \$500,000.

Consult your Accountant for additional information.