

The 2009 Tax Act – Will It Help?

Q:

Now that a new Tax Act is passed, what will this mean for my business and for me individually?

The American Recovery and Reinvestment Tax Act of 2009 was signed into law on February 17, 2009.

A:

One provision that individuals may wish to take advantage of immediately is a provision for a first-time homebuyer to take a tax credit of up to \$8,000 on his 2008 (yes, 2008) federal income tax return for a home purchased up to November 30, 2009, subject to income limitations. This provision also includes changes regarding how and if the credit has to be repaid.

Further provisions aimed at individuals include an additional deduction for state sales taxes paid on a motor vehicle purchased after February 16, 2009, and an expansion of education-related tax credits.

Two major provisions affecting businesses are (1) the extension of the immediate expensing of fixed assets up to \$250,000 under Sec. 179 depreciation and (2) first year 50 percent bonus depreciation for federal tax purposes. Both allow for immediate write-off of certain fixed asset purchases and are meant to spur on capital investment. Both of these are subject to certain requirements and limitations. Unfortunately New York does not allow bonus depreciation.

The Act also provides an extension of the carryback period for a net operating loss for a tax year ending in 2008 from 2 years to up to 5 years for C corporations that are "small businesses." This will hopefully allow corporations incurring 2008 losses more opportunity to generate tax refunds by offsetting income and tax paid in prior years. A "small business" is defined as having average gross receipts less than \$15 million in the 3 prior years. Companies under common control will have to aggregate their receipts for this purpose.

For questions regarding the new Tax Act, please contact:



Jonathan P. Holden, CPA
Tax Principal

Tronconi Segarra & Associates LLP

6390 Main Street, Suite 200

Williamsville, NY 14221

716-633-1373

jph@tsacpa.com

www.tsacpa.com

TRONCONI SEGARRA
& ASSOCIATES
LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

Solutions Beyond The Obvious