

Save on Palletizer Purchases in 2009

Take Advantage of the Economic Stimulus Package

On February 17th of this year President Obama signed into law The American Recovery and Reinvestment Act of 2009, which extended certain investment incentives that were established by The Economic Stimulus Act of 2008, most of which were to expire on December 31, 2008. We thought that a reminder of these provisions was in order. Especially when the benefits of a program like this can be so valuable for a company like yours that is considering purchasing capital equipment, such as a palletizer!

Expanded Expensing

The first provision is the Expanded Expensing (Section 179). For purchases in 2009 companies that purchase less than \$800,000 of capital assets in a year are allowed to deduct the first \$250,000 of capital investment. Please note the expanded Section 179 deduction value is reduced dollar for dollar on all capital asset purchases over \$800,000. For all capital asset purchases over \$1,050,000 the Section 179 deduction would be -0-.

Accelerated Depreciation

The Accelerated Depreciation applies to capital equipment purchased and placed into service during 2009. This incentive is available to all companies, regardless of the size of their investment. Under this provision, companies are eligible for a 50% "bonus" first-year depreciation. Obviously, this could result in a substantial tax liability reduction in the year the asset is placed into service.

Capital Lease Option:

You can arrange a capital lease that will allow you to take advantage of the write-off in 2009 without having paid for the equipment. Remember, the equipment must be purchased and installed prior to January 1, 2010.

It is important to take advantage of these incentives early in order to have the palletizer placed into service prior to January 1, 2010.

On the reverse side of this document we have given three examples of how the above provisions will help your company save a substantial amount of money if you purchase and install your palletizer this year. The attached examples compare the benefits of the new provisions first year depreciation deduction, and associated tax liability effect. The table shows the first-year bonus depreciation rules versus the previous "regular" depreciation rules (pre-2/13/2008 rules). The Modified Accelerated Cost Recovery System and a 34% income tax rate are used in these calculations.

As with any tax issue, please consult with your tax accountant as to the applicability of this provision for your company or visit www.irs.gov for more information on these provisions.

We trust that you will find this information useful. Should you have any questions or would like to revisit a previous quote with us, please contact me at (360) 694-1501 or visit www.palletizing.com for more information on Columbia Machine's complete palletizing solutions.

Sincerely,



Ted Yeigh
Sales Director

Examples of How the Economic Stimulus Package Can Save You Money

Example Number 1: Capital Asset purchase of \$400,000 and useful life of 5 Years.

	After 1/1/09	Pre 2/13/08
Purchase Price	\$400,000	\$400,000
Sec 179 Deduction	\$250,000	\$128,000
50% Bonus Depreciation	\$ 75,000	
First year MACRS*	\$ 15,000	\$ 54,400
Total 1 st year tax deduction	\$340,000	\$182,400
Greater Tax Deduction	86%	
Tax Savings	\$ 53,584	

Example Number 2: Capital Asset purchase of \$200,000 and useful life of 5 Years.

	After 1/1/09	Pre 2/13/08
Purchase Price	\$200,000	\$200,000
Sec 179 Deduction	\$200,000	\$128,000
50% Bonus Depreciation	-	
First year MACRS*	-	\$14,400
Total 1 st year tax deduction	\$200,000	\$142,400
Greater Tax Deduction	40%	
Tax Savings	\$ 19,584	

Example 3: Capital Asset purchase of \$850,000 and useful life of 5 Years.

	After 1/1/09	Pre 2/13/08
Purchase Price	\$850,000	\$850,000
Sec 179 Deduction	\$200,000	
50% Bonus Depreciation	\$325,000	
First year MACRS*	\$ 65,000	\$170,000
Total 1 st year tax deduction	\$590,000	\$170,000
Greater Tax Deduction	247%	
Tax Savings	\$142,800	

* The above examples use the Modified Accelerated Cost Recovery System (MACRS) and a 34% income tax rate.

NOTE: The expanded Section 179 deduction value is reduced dollar for dollar on all capital asset purchases over \$800,000. For all capital asset purchases over \$1,050,000 the Section 179 deduction would be -0-.