



## Tax law enacted to spur U.S. economy Tax Incentives for Businesses

### Dear Clients and Friends of Hancock Askew & Co.:

The Economic Stimulus Package Act of 2008 is designed to boost the U.S. economy by providing tax rebates to individuals and tax incentives for businesses.

#### **Incentives for business investment:**

To spur additional investment, the act increases the Section 179 limit for initial year expensing to \$250,000 (from \$128,000). The Sec. 179 expensing election allows a current deduction for newly acquired assets that otherwise would have to be depreciated over a number of years. Because this tax break is designed to benefit primarily smaller businesses, the expensing election begins to phase out dollar for dollar when total asset acquisitions for the tax year exceed \$800,000 (up from \$510,000 before the act).

The new higher limit applies for calendar year 2008 or a business's fiscal year that begins in 2008. As in the past, a business can claim the expensing election currently only to offset its net income, not to reduce net income below zero.

Another depreciation-related provision offers a special allowance for certain property, generally if acquired this year. This is in addition to any such property that qualifies for Sec. 179 expensing. For eligible property, the special depreciation amount is equal to 50% of its adjusted basis. The following types of property are qualified for this special depreciation:

- Tangible property with a recovery period of 20 years or less,
- Computer software purchased by the business,
- Water utility property, and
- Qualified leasehold improvement property.

Because both the Sec. 179 limit increases and the 50% depreciation allowance can provide large 2008 deductions, you may want to consider making major asset purchases this year.

#### **Temporary loan limit increases for Fannie Mae, Freddie Mac and FHA**

In response to the mortgage crisis, the act increases from \$417,000 to \$729,750 the dollar limit on loans that may be issued by the FHA and that Fannie Mae and Freddie Mac can purchase. This is designed to reduce predatory lending practices on borrowers seeking loans in excess of the current limits, often referred to as "jumbo mortgages." The increases are in effect for loans made or



approved for origination through the end of 2008, after which the previous loan limits will apply once again.

Please consult Hancock Askew to find out exactly how the Economic Stimulus Package Act of 2008 will affect your personal and business taxes in 2008.

**Hancock Askew** firmly believes that keeping you informed of changing issues is just one more way to be of service to you and your business. As always, we are ready to assist you with any questions you may have and appreciate the opportunity to serve you.

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**Sincerely,**

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