

Small Business Beat

News from the Michigan SBA Office

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SBA Women's Business Centers Receive National Recognition

Recently, two of SBA's Women's Business Centers in Michigan have received national recognition. The Center for Empowerment and Economic Development in Ann Arbor was awarded a three year renewable grant that will allow the organization to provide a wider range of services in a broader geographic area. [CEED](#) has been serving women for over 25 years throughout Southeast Michigan. The funding, a result of federal legislation that was enacted last fall, returns CEED to the SBA family of resource partners. The [SBA Michigan District Office](#) very is pleased to welcome CEED back!

The Detroit Entrepreneurship Institute, Inc. was recognized by SBA as an outstanding Women's

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Economic Stimulus Act of 2008 Benefits Small Business

By Patrick Rea

SBA Midwest Regional Administrator

Many of us have either already received or are expecting soon our economic stimulus checks from the IRS. Those checks are an important part of the Economic Stimulus Act of 2008, but for small businesses, there are other provisions in the law with the potential for far greater benefit.

The most important thing to remember about the act's small business benefits is that the special bonus depreciation provision expires at the end of 2008 and the Section 179 expensing provision expires at the end of your business tax year that begins in 2008. Time is definitely of the essence to take advantage of these opportunities.

The act allows far more depreciation deductions on purchases of most types of tangible property and computer software bought this year. These deductions reduce the taxable income of the business or its owners, with the potential to dramatically reduce your 2007 or 2008 business tax year liability. This means you will recover a far larger portion of the price of property placed in service this year through tax savings than you normally would. Your business will benefit from the additional productivity

Business Center at the National Small Business Week Awards program in Washington, DC this past spring. DEI has served men and women in the Detroit area since 1990 through an 11 week entrepreneurial training program. DEI has been an SBA-funded Women's Business Center since 2000. We congratulate DEI on this significant accomplishment.

Our Belief... SBA is the entry point to help you start, grow, and prosper. We offer customized counseling, specialized financing, and contract opportunities. Through our unique resource network, we provide the tools to help you succeed. We are your Small Business Resource.

from the new machinery or equipment, you will benefit from the tax savings, and the economy will benefit from the additional economic activity your investment generates. Talk about have your cake and eat it too!

The additional deductions fall in two categories: Section 179 expensing and a Special Depreciation Allowance. Section 179 of the tax code allows businesses to write off investments in eligible property immediately instead of depreciating it over time.

The normal limit for the Section 179 write-off is \$128,000 total for your business tax year, but for eligible property purchased and placed in service in your business tax year beginning in 2008, the limitation is almost doubled to \$250,000. The \$250,000 deduction amount is reduced only when a business purchases more than \$800,000 of eligible property.

Let me repeat that: for an eligible company and property, you will be able to write off completely against your taxable income up to \$250,000 of investment in property you place in service in the 2008 tax year so long as you do not purchase more than \$800,000 of eligible property that year. This can create a tremendous cash flow advantage to you and your business.

The second provision of the act is the Special Depreciation Allowance. This allowance is in addition to the Section 179 write off and allows the business to take depreciation of 50 percent of the cost of the property after taking the 179 expense. Then on the 50 percent that is left, you still get to take your full first year depreciation. To qualify for the Special Depreciation Allowance, the original use of the property must begin with the taxpayer after December 31, 2007. In other words, the property must be "new" property.

For the eligible equipment that you buy before the end of this calendar year and after the beginning of your 2008 tax year, you can get up to three deductions in your 2008 tax year. For example, if you purchase and place into service eligible property that costs you \$450,000 on August 1, 2008, and your 2008 business tax year starts July 1, 2008, you can have the 179 expense of \$250,000, the Special Depreciation Allowance of 50 percent of the remainder, \$100,000 and still take the regular first year depreciation on the remaining \$100,000 of basis. On property with a 5-year tax life, that could mean a write-off of \$370,000 in your 2008 business tax year for an investment of \$450,000. If you purchase and place into service this

same property after December 31, 2008, but still in your 2008 business tax year, you can still take a 179 expense up to a total of \$250,000 on all eligible property purchased in your 2008 tax year.

If you want to really leverage the tax savings, the U. S. Small Business Administration's loan programs are designed to help small businesses grow. Because of the long-term nature of both the 7(a) and 504 loan programs, your payment on an SBA loan this year could easily be less than the tax savings you receive so you could actually generate cash for your business in 2008 by financing the equipment purchase with an SBA guaranteed loan. [Click here](#) to find a participating lender in SBA's 7(a) or 504 loan programs. Visit the [SBA](#) Web site to learn more about these programs.

The Special Depreciation Allowance also helps with vehicle purchases, increasing the allowable first year depreciation on trucks and vans weighing less than 6,000 pounds to 350 percent of the normal maximum (from \$3,160 to \$11,160) and on automobiles to 370 percent of the normal maximum (from \$2,960 to \$10,960).

As always, there are exceptions. You will need to consult your tax advisor before making any decisions based on the 2008 Economic Stimulus Act. The Section 179 write-off is only available to companies that purchase less than \$800,000 of eligible assets in the tax year and the Section 179 expensing limit for SUVs remains \$25,000. Also, since these allowances are deductions from taxable income, they will only benefit companies that have profits to offset.

The SBA provides a Depreciation Calculator, fact sheet, on-line seminar and links to additional information. [Click here](#) for more information on the act. (Please see the Tax Saving Resource Center article below for more information.)

The Internal Revenue Service also provides additional in-depth information about the Act. Click on the links below:

[Business Provisions of the Economic Stimulus Act of 2008](#)

[IRS To Issue Guidance on Special 50-Percent Depreciation Allowance](#)

2008 Economic Stimulus Act Provides Tax Benefits to Businesses

The Small Business provisions of the Economic Stimulus Act of 2008 are an excellent opportunity for you to invest in the equipment you need to take your business to new levels of productivity while providing great cash flow benefits from the tax savings you will experience this year.

Tax Savings Resource Center

As discussed above, SBA has created an online tax savings resource center to help small businesses understand how they can benefit from the 2008 economic stimulus package. The package includes the following tax incentives for businesses:

1. A 50% bonus depreciation allowance on equipment purchased and placed in service in calendar 2008
2. An almost 100% increase in the amount (from \$128,000 to \$250,000) that a business can expense for equipment purchased and placed in the business tax year beginning in 2008

SBA's new Tax Savings Resource Center demonstrates the benefits entrepreneurs can realize from the economic stimulus package. For more information [click here](#). The center contains three resources:

1. A Fact Sheet that provides a clear explanation of the small business tax benefits
2. A Deprecation Calculator that provides an estimate of the first year depreciation available under the provisions
3. An Online Seminar that summarizes the tax benefits and concludes with the depreciation calculator

These resources can help small businesses take advantage of the stimulus package. However, we encourage business owners to contact their tax professionals to determine how the stimulus package applies to their business. [Click here](#) for more information.

Are You Loan Ready?

Are you ready to take the next step and seek financing for your business? Before you apply for a business loan, we recommend that you first attend a Financing Roundtable by TEAM SBA. The roundtable is a free loan orientation conducted by a local business banker, a business consultant from the SBA's network of Small Business and Technology Development Centers, and an SBA representative. During the roundtable, we'll debunk the myths and demystify the process of small business financing. You'll learn how the lending process works and what is expected of you and you'll understand how SBA can assist you with our SBA Loan Guaranty Program.

The roundtables are best suited to those who have good credit, a solid business idea, and some money to invest in their business. Because SBA does not provide loan guarantees to real estate investment firms, including purchasing and rehabbing houses for sale, this type of financing is not discussed at the roundtables. For upcoming locations and registration information, please click [here](#).

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