

Federal Business Tax Law Changes for 2009

Many important tax changes have gone into effect for 2009. A number of provisions designed to stimulate the economy applied for only a limited period of time and have expired. However, please note that these items may be extended under the new administration. The following are the one time tax breaks that have expired:

Bonus Depreciation: Under the first-year bonus depreciation rules, taxpayers could claim an additional first-year depreciation deduction equal to 50% of the adjusted basis of qualified property generally placed in service in 2008. The property had to be placed in service after Dec. 31, 2007 and before Jan. 1, 2009 to be eligible for this deduction.

Enhanced Section 179 Deduction: Under the Economic Stimulus Act of 2008, for property placed in service in tax years beginning in 2008, the maximum Section 179 allowance rose to \$250,000. The increase only applies to 2008 and the limit will fall to \$125,000 for 2009.

Other changes:

Standard Mileage Rate: 2009 standard mileage rate is 55 cents per mile

New recovery period for certain machinery & equipment: Any machinery or equipment (other than grain bins, fences, or other land improvements) which are used in a farming business where the original use begins with the taxpayer after Dec. 31, 2008, and is placed in service before Jan. 1, 2010, will be treated as 5-year property.

Extension time period changes: Form 1065 (U.S. Return of Partnership Income), Form 1041 (U.S. Income Tax Return for Estates and Trusts) that are due to be filed after Dec. 31, 2008, the automatic extension period has been reduced from 6 months to 5 months.

Many penalties assessed by the IRS have also increased.

For more information on any of the above, or if you have any other questions please contact our office.