

BRAND NEW POWERFUL TAX INCENTIVE FOR NEW EQUIPMENT ORDERS

Congress has just passed President Bush's jobs and economic growth tax relief bill, which contains a new 50% expensing allowance for machine tools and other equipment ordered between 5/06/03 and 12/31/04 and placed in service by 12/31/04. This replaces the temporary 30% expensing allowance enacted in 2002.

Here is how the new provision works for you and your customers:

Let's assume that the Peekless KeyHole Co. orders a new machine tool costing \$100,000. Peekless can **write-off 57% of the asset in the first year** and 69% over two years (compared with 14% and 39% under the old law). This adds up to a **first year tax cut of \$15,050 on a \$100,000 machine.***

<u>OLD LAW - \$100,000 Machine (pre-2002 temporary change)</u>			
1 st year Deduction	14%	\$14,000	1 st year Tax Saving \$ 4,900

<u>NEW LAW - \$100,000 Machine</u>			
1 st year Deduction	57%	\$57,000	1 st year Tax Saving \$19,950

<u>IMPROVEMENT OVER OLD LAW</u>			
1 st year Deduction	43%	\$43,000	Tax Cut \$15,050

<u>SPECIAL RULE FOR SMALL BUSINESS</u>
Small businesses (those whose equipment purchases of all kinds do not exceed \$400,000) get to expense the first \$100,000 until 12/31/05. The 50% expensing allowance can be taken on the remaining basis of the machine. In other words, a qualifying small business that buys a \$100,000 machine can expense it all in the first year. A \$200,000 machine could qualify for a \$157,000* first year deduction (78.5 % of the asset); and a \$300,000 machine could qualify for a \$214,000* first year deduction (71.3% of the asset).

* Example assumes customer is in 7-year asset depreciation class. For customers in the five-year class, the first year tax saving is \$21,000 on a \$100,000 machine, and the tax cut is \$14,000.

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