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LAUNDRY

# E-EXPRESS

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## American Recovery & Reinvestment Act

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In order to help everyone understand the provisions of the recently signed into law American Recovery and Reinvestment Act, we'd like to high-light some key aspects of this new law that might apply to our customers.

The two key provisions that apply most directly to our industry are tax benefits that our industry is already familiar with: increased Section 179 Expensing provisions, and additional Bonus Depreciation.

- **Section 179 Expensing**

The ARRA extends the increased maximum amount of \$250,000 through the end of 2009.

- **Bonus Depreciation**

The ARRA also amends and extends the 50% temporary bonus depreciation deduction through 2009 for property placed in service before January 1, 2010.

As was the case previously, the new law allows a taxpayer to depreciate 50% of the adjusted basis after subtracting any section 179 deduction taken on the qualified property, and the remaining amount is still eligible for regular depreciation.

**Example:**

Property placed in service:	\$300,000
Section 179 Expensing:	<del>-\$250,000</del>
Remaining Amount:	\$50,000
Bonus Depreciation:	<del>-\$25,000</del>
Remaining Amount:	\$25,000
Regular 1st Year Depreciation:	<del>\$5,000</del>
Final "Undepreciated" Amount:	\$20,000

**Total 1st Year Deduction: \$280,000**

### Other Limits and Qualifying Property

There are some limits to section 179. The total cost of property that may be expensed cannot exceed the total amount of taxable income during the tax year. However, any cost not deductible in one year under section 179 because of the income limit can be carried into the next year. Not all states follow federal law; a taxpayer should always contact their tax advisor for further details. Most types of business equipment qualify for the Section 179 expensing allowance, including:

- Tangible personal property (machines, equipment, furniture, etc).
- Business Vehicles with gross weight of 6,000 pounds or greater (which includes many trucks, SUV's, etc)
- Certain other tangible property used for specific purposes.
- Single-purpose agricultural or horticultural structures.
- Certain storage facilities.

\* Note: the section 179 deduction is determined based on your tax year, so companies utilizing a fiscal year can use the enhanced deduction for assets acquired during their fiscal year beginning in 2009.

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