



***Solutions for Payroll, Time Collection and Human Resources***

**Business software earns large tax deductions under the American Recovery and Reinvestment Act**

The final version of the American Recovery and Reinvestment Act of 2009 (ARRA) was signed by President Obama on February 17, 2009. It contains extensions for two important provisions related to capital expenditures (including business software) during 2009. These additional tax deductions can make this a very good time to purchase new business software. If you've been thinking of adding modules to your Sage Abra system, consult with your tax advisor to find out how much your company can benefit!

**Increased Section 179 limits**

The ARRA increases Section 179 expensing limits to \$250,000 for qualified assets that are purchased and placed in service during 2009. Business software, which is normally depreciated over three years, qualifies for Section 179 expensing up to the new limits.

**Special bonus depreciation**

Additionally, the ARRA extends the 50 percent bonus depreciation that was introduced in the 2008 stimulus bill. Again, for equipment purchased and placed in service during 2009, the first 50 percent of the cost can be immediately depreciated on 2009 business taxes.

**Combining the tax benefits**

Bonus depreciation can be applied in addition to Section 179 expensing and regular depreciation. So if your company makes a large purchase of equipment, you could apply Section 179 up to the first \$250,000, then apply 50 percent bonus depreciation for the remaining cost, and finally, deduct the depreciation for the current year under the regular depreciation method (three years in the case of software).

For a good explanation and an example, please see this article from the [Boston Business Journal](#).

You can read the full text of the ARRA legislation at [www.whitehouse.gov/the\\_press\\_office/ARRA\\_public\\_review/](http://www.whitehouse.gov/the_press_office/ARRA_public_review/)

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