

Financial, Legal & Tax Advisory

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About the author:

Dr. Bart A. Basi is an expert on closely-held companies, an attorney, a Certified Public Accountant and the Senior Advisor of the Center for Financial, Legal & Tax Planning, Inc. He is a member of the American Bar Association's Tax Committees on Closely-Held Businesses and Business Planning.



The Emergency Economic Stabilization Act of 2008

Introduction

Most of you know it as "The \$700 Billion Dollar Wall Street Bailout", but the name of the act is "The Emergency Economic Stabilization Act of 2008" (EESA). Crafted by a bipartisan Congress, the Act was originally 3 pages when presented to Congress and was in essence a blank check for the purpose of stabilizing the economy. The Act now encompasses not only a large amount of money to stabilize the economy, but also carries interesting and important tax provisions for businesses as well.

Research Tax Credit

The Research Tax Credit has been extended by the EESA to cover the years 2008 and 2009. This credit has also been simplified and has been increased to include not 12% of the 50% excess funds spent on research, but 14% of the 50% excess funds spent on research.

Leasehold and Restaurant Improvements

Under the EESA, qualified restaurant improvements are now eligible for 15 year depreciation as opposed to the 39% rule that was in effect until December 31, 2009. Also, Congress has authorized a similar rule for retail space as well, allowing retailers to utilize cost recovery over 15 years. This provision is effective through December 31, 2009 and applies to retailers who not only own their own space, but those who lease as well.

Charitable Contributions

Donations of food to charitable organizations, as well as contributions of books and computers are now subject to enhanced deductions for businesses. The charitable contribution provision has been extended to December 31, 2009. This provision also applies to S Corporations and allows S Corporation shareholders to deduct their charitable deductions even if the donations exceed their investment in the company.

New Markets Tax Credit

The EESA extends the New Markets Tax Credit through December 31, 2009. This credit was scheduled to be eliminated.

Energy Efficient Property

The EESA extends energy efficiency and energy

efficient property tax incentives. The deduction for energy efficient buildings is extended through December 31, 2013. The residential energy efficient property credit is extended through December 31, 2016.

Renewable Energy

There are several incentives in the EESA to encourage the production of renewable energy. This includes electricity produced from wind, producing electricity through biomass, and other qualifying renewables. The wind provision expires December 31, 2009 and the other category is valid through September 30, 2011. The credit for solar energy, fuel cell, and micro turbine extends through December 31, 2016.

Transportation Fringe Benefit

Employees can exclude employer provided transportation benefits. The treatment is effective for tax years after December 31, 2008.

And More . . .

Along with the previously mentioned tax benefits, the EESA also extends the District of Columbia first time home buyers credit, special domestic production activities deduction in Puerto Rico, Qualified Zone Activities Bonds, and a dozen more targeted provisions. Additional energy incentives include coal gasification credit, clean renewable energy bonds, alternative fuels credit, etc.

Conclusion

Not only has Congress enacted a massive economic rescue plan, but Congress has also taken the liberty of extending valuable tax provisions as well. In a time this nation and world is searching for economic life and energy resourcefulness, the EESA is an excellent tax plan for reaching economic and energy goals. Those in the restaurant and retail businesses can benefit particularly from some specific provisions. Many other industries such as warehousing, construction, etc. can benefit from the EESA's energy efficient provisions. The Act that was passed by Congress is much longer and complex than the 3 page original version. Call The Center with any questions you might have implementing any of the tax provisions in the EESA @ (618) 997-3436. **12-08**

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