

The Report



CONDLEY AND COMPANY, L.L.P.
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Texas Franchise due date has been delayed from May 15th to June 15th.

By Mary Lee Brooks, Tax/Accounting Services Partner

Comptroller Announces Additional Time to File Annual Franchise Tax Reports:

Texas Comptroller Susan Combs announced that businesses will have an additional 30 days to submit their returns or file an extension without penalty. Texas franchise reports will be considered timely filed for annual reports filed on or before June 16, 2008 or initial reports filed on or before June 2, 2008.

The Comptroller's office recognizes the complexity of the revised franchise tax and the newness of the enhanced electronic reporting methods have caused concern among tax practitioners and taxpayers statewide. The extended deadline allows businesses to avoid a 5 percent penalty they would have faced had they not filed by May 15.

"We want to make sure businesses and tax practitioners have adequate time to make sure they're complying with the revised franchise tax," Combs said. "Because they're dealing with new calculations and enhanced technology for filing reports, the one month penalty waiver will help taxpayers accurately complete their returns in the first year of this brand new tax."

Information about the revised franchise tax is available on the Comptroller's Web site at www.window.state.tx.us or by calling (800) 252-1381. *If you have any questions please call us at 325-677-6251.*

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Company & Employee Updates

Please help us welcome new employees:

- McKade Marshall (Audit)
- Darlene Cox (Tax/Accounting Services)
- Kerri Hewitt (Trust & Estate Tax)
- Scott Langford (Audit)



Stimulus Payment Schedule for Tax Returns Processed by April 15



By Bobby Cox, Tax/Accounting Services Manager

Economic stimulus payments will be issued according to the last two-digits of the main filer's Social Security number. For joint filers, the payments will go out based on the person listed first on the return. Payments will be made by either direct deposit or paper check, consistent with how people filed their 2007 tax return.

People who use direct deposit should have been will be among the first to receive the payments starting April 28. Direct deposits will be made daily and completed by the date listed below:

DIRECT DEPOSIT... Last two SSN digits: Payments should have been transmitted no later than:

00 through 20 May 2
21 through 75 May 9
76 through 99 May 16

Paper checks will also go out based on Social Security number. For Social Security numbers ending in 00 through 09, the paper checks should have been mailed starting May 9 and will continue through May 16. A similar process will be repeated in the following weeks.

PAPER CHECK... Last two SSN digits: Payments will be mailed no later than:

00 through 09 May 16
10 through 18 May 23
19 through 25 May 30
26 through 38 June 6
39 through 51 June 13
52 through 63 June 20
64 through 75 June 27
76 through 87 July 4
88 through 99 July 11

People who file a return after April 15 will receive their economic stimulus payment, but probably about two weeks later than the schedule shows. A return must be filed by October 15 in order to receive a stimulus payment this year. See the online calculator (<http://www.ssa.gov/planners/calculators.htm>) for an estimate of the amount you will receive.

A small percentage of tax returns will require additional time to process and to compute a stimulus payment amount. For these returns, stimulus payments may not be issued in accordance with the schedule above, even if the tax return was processed by April 15.



Bonus Depreciation and Increased Section 179 Expensing

The Economic Stimulus Act of 2008 has revived bonus depreciation, providing a generous boost for many businesses in 2008. Under the Act, all businesses, large or small, can immediately depreciate an additional 50-percent of the cost of certain qualifying property purchased and placed in service in 2008, from computer software to plants and equipment. Moreover, the 50-percent bonus depreciation allowance can be taken together with any Code Sec. 179 expensing, which also increased for 2008. The increased Section 179 expense limit will be \$250,000 and beginning phase out level will be \$800,000.

Bonus basics : The 2008 Economic Stimulus Act enables all businesses to take a bonus first-year depreciation deduction of 50-percent of the adjusted basis of qualified property purchased and placed in service for use in your trade or business after December 31, 2007, and generally before January 1, 2009. Bonus depreciation is allowed only for: (1) tangible property to which MACRS applies that has an applicable recovery period of 20 years or less, (2) water utility property, (3) certain computer software, and (4) qualified leasehold improvement property. It is not allowed for intangible property, with the exception of certain computer software. The original use of the property must commence with the tax payer after 12-31-07. "Original Use" means generally that the equipment is new. Bonus depreciation can be claimed for both regular and alternative minimum tax (AMT) liability. It is also important to note that, since bonus depreciation is treated as a depreciation deduction, it is subject to recapture as ordinary income under certain provisions of the Internal Revenue Code. And if you have a tax year that is less than 12 months, the amount of the bonus depreciation allowance is not affected by a short tax year.

Computing your bonus depreciation: To figure your allowable 50-percent bonus depreciation deduction, you must multiply the unadjusted depreciable basis of the property by 50 percent. This is the amount of additional first-year depreciation you can deduct in 2008. For example, you purchase qualifying property for your business in 2008 that costs \$150,000. You are allowed an additional first-year depreciation deduction of \$75,000.

Regular depreciation: After you have computed the 50-percent bonus depreciation allowance for the property, you can use the remaining cost to compute your regular MACRS depreciation for 2008 and subsequent years. Under MACRS, the cost or other basis of an asset is generally recovered over a specific recovery period. In this case, the property must have a recovery period of 20 years or less.

Code Sec. 179 Expensing: The 50-percent bonus depreciation allowance is taken after any Code Sec. 179 expense deduction and before you compute regular depreciation under MACRS rules. Therefore, the cost (basis) of the property must be reduced by the amount of any section 179 expense allowance claimed on the property before computing the 50-percent bonus depreciation allowance (multiplying the property's basis by 50-percent). Regular depreciation under MACRS is then computed after you have reduced the basis by any section 179 expensing allowance and the 50-percent bonus depreciation allowance.

Example: On June 15, 2008, Tom bought and placed in service in his business qualified tangible property that cost \$750,000. He elects to deduct \$250,000 of the property's cost as a Code Sec. 179 deduction. Tom will apply the 50-percent bonus depreciation allowance to \$500,000 (\$750,000 - \$250,000), which is the cost of the property after subtracting the section 179 expensing deduction. Tom will then deduct 50-percent of the cost after section 179 expensing (\$250,000) for purposes of the 2008 special bonus depreciation. He will use the remaining \$250,000 of the property's cost to figure his regular MACRS depreciation deduction for 2008 and the years thereafter. For fiscal year businesses, the 50% bonus first year depreciation may be claimed by using Form 4562-FY.

Computing bonus depreciation can be a complicated process, as many variables may come into play. Our tax professionals can help determine the best way for your business to utilize the new bonus depreciation allowance together with other tax incentives to achieve significant tax savings.



REMINDER

Changes in the “Kiddie Tax Rules”:

When a child under the age of 18 has unearned investment income in excess of a certain amount and does not file a joint return, the kiddie tax may tax part of that income at the parent’s tax rate instead of the child’s tax rate. Congress raised the age threshold from under 14 to under 18 last year. The new law raises it to under 19 (under 24 if a student). This change is effective for most taxpayers in 2008.

Changes to Minimum Wage:

Federal Minimum Wage: (www.wagehour.dol.gov)

Beginning July 24, 2008 - \$6.55 Per Hour

Beginning July 24, 2009 - \$7.25 Per Hour

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