

## Taxation Tidbit

### Taxable Income – Have It Your Way

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Most of the recent changes in the federal income tax code have been quite friendly for small business owners. The increase of the maximum Section 179 deduction up to \$100,000 and the increase of the first-year bonus depreciation from 30% to 50% enable most small businesses, with capital acquisitions, the ability to easily manage their taxable income for 2003. For example, if a farmer purchased a new piece of 7-year life farm equipment for \$150,000 after May 5, the total write-off for 2003 could vary (at the farmer's discretion) from \$7,500 to \$128,572. **The following table presents the range of write-off alternatives for this asset.**

<b>ADS (SL) – 10 years, no Section 179, no bonus depreciation</b>	\$ 7,500
<b>MACRS (150%) – 7 years, no Section 179, no bonus depreciation</b>	21,435
<b>MACRS (150%) – 7 years, no Section 179, 30% bonus depreciation</b>	60,004
<b>MACRS (150%) – 7 years, no Section 179, 50% bonus depreciation</b>	85,718
<b>MACRS (150%) – 7 years, max. Section 179, no bonus depreciation</b>	107,145
<b>MACRS (150%) – 7 years, max. Section 179, 30% bonus depreciation</b>	120,002
<b>MACRS (150%) – 7 years, max. Section 179, 50% bonus depreciation</b>	128,572
<b>ADS – Alternative Depreciation System</b>	
<b>SL – Straight-line Depreciation Method</b>	
<b>MACRS – Modified Accelerated Cost Recovery System</b>	
<b>150% - 150% – Declining-Balance Depreciation Method</b>	