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EXTENSION

Ag Business Management

Informing farm families and ag businesses about management issues.

How the 2009 Federal Stimulus Package Will Affect Agriculture

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The American Recovery and Reinvestment Act of 2009 was signed into law by President Obama on February 17, 2009. The \$789 billion legislation includes tax cuts, additional spending programs, aid to states, students, schools, the unemployed, and communities. This legislation is intended to impact many areas of the economy including the industry of Agriculture.

The new stimulus legislation makes over 300 changes to the existing IRS code. Two of the most notable changes that will impact agriculture is an extension of special or bonus depreciation and an increase in the section 179 deduction.

The 50% special or bonus depreciation provision expired at the end of 2008. The new legislation extends the time period for 50% bonus depreciation to include qualifying property acquired and placed in service in 2009. The new legislation also extends 50% bonus depreciation through tax year 2010 for property with a recovery period of 10 years or longer, transportation property, and certain aircraft.

The section 179 deduction limit was scheduled to be \$133,000 with a qualifying property limit of \$530,000 for tax year 2009. The new stimulus package changes the maximum section 179 deduction to \$250,000 with a qualifying property limit of \$800,000 for tax year 2009.

One additional issue the stimulus legislation modified was the carry back period for a net operating loss (NOL). Typically, the carry back period for a NOL is two years. The stimulus package allows a qualifying entity to carry the NOL back up to five years. This carry back provision would only be eligible for a net operating loss incurred during tax year 2008.

Always consult with your tax advisor to examine your individual situation. This information is offered as educational information only and not intended to be legal or financial advice. For questions specific to your farm business, consult with your tax preparer.

Publication References:

Quickfinder Handbooks/Thomson Reuters. Stimulus Plan Summary Table.

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