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New Tax Law Impacts Construction Industry

The Small Business and Work Opportunity Tax Act of 2007, which was signed into law by the President on May 25, 2007, contains several provisions that have an impact on the construction industry. Here's a brief overview of some of those provisions.

Section 179 Expensing

The Section 179 expensing election allows you to take an immediate deduction for the cost of most kinds of depreciable assets in the year they are placed in service instead of claiming depreciation deductions over a multi-year period. The new law provides for an immediate increase of the expensing limit from \$112,000 to \$125,000 for 2007. The expensing limit is reduced dollar for dollar when the total qualifying assets placed in service exceed \$500,000 for tax year 2007. In addition, the higher expensing election has been extended through 2010 and thresholds will be indexed for inflation.

The Work Opportunity Tax Credit (WOTC)

The WOTC is a tax credit that employers may receive on an elective basis when they hire individuals in certain targeted groups. The new law expands the targeted groups to include more disabled veterans and people living in counties that have experienced significant population losses. Employers who hire disabled veterans are eligible to receive twice the normal credit of \$2,400 per eligible employee. Under the new law, employees must begin work before September 1, 2011. The previous hiring deadline had been December 31, 2007.

GO Zone Incentives

The new law also contains several tax relief provisions targeted at businesses operating in the parts of the Gulf Coast hit by hurricanes in 2005. Businesses in this region can expense an additional \$100,000 in eligible equipment and machinery purchases under Section 179 for both 2007 and 2008 due to a one-year extension of the higher limit. The deadline for placing GO Zone buildings in service that qualify for enhanced low-income housing credits has been extended by two years to December 31, 2010.

Any qualified GO Zone repair or reconstruction is treated as a qualified rehabilitation for purposes of the qualified mortgage bond rules.

If you'd like to determine if and how these new provisions of the tax law could impact your business, please contact us for details.

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