

Washington Bureau

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Bush touts investment incentives, but business use may be limited

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The Bush administration is encouraging companies to take advantage of business investment incentives in the recent stimulus package, but economic uncertainty and time constraints may limit their use.

Only 5 percent of small business owners think now is a good time to expand their businesses, according to the National Federation of Independent Business' monthly survey.

A separate survey by Pittsburgh-based PNC Bank found that 63 percent of small and medium-sized business owners think the stimulus package will be of little to no benefit to their business.

Manufacturers, meanwhile, are concerned they may not be able to get new equipment installed on their production lines by the end of the year, the deadline to take advantage of the bonus depreciation break included in the stimulus package.

The stimulus package, which was signed into law in February, allows businesses to depreciate 50 percent of the cost of new equipment or other capital investments this year. The equipment has to be placed in service this year in order to qualify for accelerated depreciation.

That could be a challenge for some manufacturers, members of the National Association of Manufacturers told a Treasury Department official at an April 4 briefing at NAM's headquarters. There can be long lead times between the ordering and the delivery of new manufacturing equipment, manufacturers said. Plus manufacturers have to take their production schedules in account in order to find a good time to install the equipment.

Karen Gilbreath Sowell, the Treasury Department's deputy assistant secretary for tax policy, said the department will examine whether the law allows for any flexibility in the "placed in service" requirement, but liberalization of this rule won't be included in upcoming guidance on how to use the bonus depreciation break.

Some businesses do plan to take the advantage of bonus depreciation, as well as the increase in the Section 179 expensing limit for small businesses, which also was included in the stimulus package.

Drew Greenblatt, owner of [Marlin Steel Wire Products](#) in Baltimore, said he plans to buy two robots this year to improve efficiency at his manufacturing plant. He will add four workers to run the robots.

"These are not hamburger-flipping jobs," Greenblatt said.

Several small business owners met with President Bush April 7 to discuss the stimulus package.

"Recently we purchased two new servers and routers, and we plan to upgrade nearly 30 office computers thank to the act's expensing benefits," said Thomas Sawner, CEO of Educational Options Inc. in Arlington, Va.

The company, which provides online high school courses, plans to move to new, larger offices this quarter.

"This incentive is a big boost to our purchasing power for needed equipment," Sawner said.

The stimulus package allows small businesses to immediately deduct up to \$250,000 of the cost of new capital investments, double the previous level of the Section 179 expensing limit.

"I'm very pleased to have heard from the small business owners here that the package is going to cause them to make decisions that will help the recovery of this economic slowdown," Bush said after the meeting.

For more information on the business investment incentives, see www.treas.gov/economic-plan