

Act Fast! Big Tax Write-offs Available for Businesses in the Economic Stimulus Act

Phoenix, AZ (April 20, 2008) – The uncertain economic climate has caused many salon and spa owners to reconsider any major remodeling, however owners may want to kick those plans back into high gear. Earlier this year, Congress approved the Economic Stimulus Act in the hopes of aiding a sputtering economy. In addition to the buzz about individual tax rebates, the Economic Stimulus Act contains two provisions that will offer businesses increased tax deductions on purchases they make before the end of the year. The **Professional Beauty Association (PBA)** understands the importance of keeping its members and the entire industry informed about these provisions by explaining what options are available to business owners. “These opportunities are only available in 2008, so if you want to take advantage you must act quickly,” said Steve Sleeper, Executive Director of **PBA**.

Leasehold Improvements

Before the Stimulus Act was signed into law by President Bush, leasehold improvements were depreciated and deducted over 39 years regardless of the term of the lease. However, the new law offers some favorable incentives. The taxpayer can deduct 50% of the cost in 2008. “This can be a very attractive incentive for business owners – but this provision is for 2008 and 2008 only,” added Sleeper.

A couple of examples will show how important this can be for industry businesses.

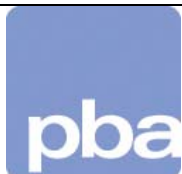
Example 1: Normal Law

Hairball Beauty Business is planning to spend \$78,000 for a major remodel (not including fixtures and equipment). Under the normal laws, Hairball Beauty will be able to deduct \$2,000 per year ($\$78,000 \div 39$ years). Assuming a 33% tax bracket, Hairball Beauty will save a measly \$660 per year for 39 years.

Example 2: Stimulus Act

(Same facts as Example 1) Except that Hairball Beauty Business does the remodel in 2008. Because of the Economic Stimulus Act, Hairball Beauty can deduct 50% in 2008, plus normal depreciation on the remaining 50%. So in 2008, Hairball Beauty has a write-off of \$39,000 ($\$78,000 \times .50$) + \$1,000 ($\$39,000 \div 39$ years). This causes a tax savings of \$13,200 plus \$330 for the next 38 years.

Fast Write-off of Equipment



The North American Hairstyling Awards (NAHA) are produced by the Professional Beauty Association (PBA). PBA is made up of salons and spas, distributors and manufacturers dedicated to improving their individual businesses and the industry as a whole. Led by industry volunteers, the association offers: business tools • education • government advocacy • networking • and more. Visit www.probeauty.org or call 800-468-2274 (480-281-0424) to learn more.

Another Stimulus Act enhancement enacted by Congress is a higher deduction for equipment purchases. This is commonly referred to as a "Section 179 Deduction." Larry Kopsa CPA, a frequent industry lecturer and partner with the firm Kopsa Otte CPA's said, "The deduction allowed in the pre-stimulus law was quite generous, so this may or may not impact your business."

Under the pre-stimulus law, if you purchased equipment you could elect to write off up to \$128,000 of business equipment in the year that you placed the equipment in service, versus depreciating the equipment over 5-7 years. The Stimulus Act increases this amount to \$250,000 for 2008.

Kopsa counsels business owners to make sure they're clear on all the details. "There are some specific rules that must be followed, so make sure you check with your tax advisor if you are considering any major purchases," he said.

To stay abreast of legislative and regulatory news affecting the beauty industry, PBA advises people to take advantage of the benefits of membership, including the government affairs bi-quarterly publication, *The Washington Update*. As a PBA Benefit Provider, Larry Kopsa of Kopsa Otte CPA's offers special rates to PBA members and is a sometime contributor to *The Washington Update* and *PBA Progress*, the PBA quarterly newsletter. "As the industry's leading trade group, PBA offers members valuable resources" said Sleeper, "and the more connected we are as an industry, the more successful we all become."

About PBA

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