

# PERSPECTIVES ON THE CONSTRUCTION INDUSTRY

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## What's in the Stimulus Plan for Contractors?

Congress and the administration have put into place a comprehensive economic stimulus plan in an attempt to revitalize the economy. Several spending provisions of the American Recovery and Reinvestment Act of 2009 (the Act) will have a direct impact on many sectors of the construction industry. The Act also contains a number of tax-related provisions that may be of benefit to contractors. Here's an overview of some of the new law's major provisions.

### Construction Spending

The overall package contains over \$140 billion in spending for a variety of construction programs. Transportation infrastructure, which includes highway and

The bill also sets aside \$21.4 billion for water and environmental infrastructure.

### Bonus Depreciation and Section 179 Expensing

A provision allowing a first-year depreciation "bonus" equal to 50% of the cost (technically, the "adjusted basis") of qualified new business assets has been extended for a year, generally for property placed in service through 2009.

In addition, under the Act, the dollar limit on asset purchases eligible for Section 179 expensing is \$250,000 for the 2009 tax year, extending the same limit that applied for 2008. The \$250,000 deduction maximum is reduced to the extent

years. Carrying back an NOL to an earlier tax year may result in a refund of taxes paid for that year.

### Renewable Energy Provisions

The Act provides business and individual taxpayers with several tax incentives for producing and conserving energy from renewable sources. For example, the \$4,000 cap on the 30% business energy tax credit for certain small wind energy property is repealed.

### Estimated Taxes

The new law temporarily eases the estimated tax requirement for individuals who received the majority of their 2008 income from a small business and whose adjusted gross income was less than \$500,000 (\$250,000 if married filing separately). For 2009, qualifying individuals may pay estimated tax of 90% (versus 100% or 110%) of the tax liability shown on their 2008 tax return.

### Encouraging New Hiring

The new law also expands the Work Opportunity Tax Credit available to employers that hire members of certain targeted groups by adding new targeted groups (unemployed veterans and disconnected youth). The amount of the credit available to an employer is determined by the amount of qualified first-year wages paid by the employer. ✓

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bridge construction, high-speed rail corridors, and transit funding, is slated to receive \$49.3 billion. Building infrastructure will receive \$29.6 billion for projects that include Veterans Administration medical facilities; public housing; and military construction, operations, and maintenance. Energy and technology projects, such as the expansion of the electricity grid and the weatherization assistance program, are in line to receive \$29.8 billion.

the cost of qualifying property placed in service during the taxable year is greater than \$800,000.

### Net Operating Losses

Eligible small businesses with net operating losses (NOLs) for a taxable year ending in 2008 (or, at the taxpayer's option, a taxable year beginning in 2008) may elect to increase the usual two-year carryback period to as many as five