

How Microsoft Dynamics GP and Bonus Tax Depreciation Can Combine to Improve Your Cash Flow

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CFO Magazine recently reported on a study indicating that bonus tax depreciation boosts cash flow.

Bonus depreciation, enacted in 2008 and recently extended for another year, allows companies to accelerate the depreciation of long-lived assets for tax purposes. Specifically, companies get to claim a 50% tax deduction for qualified assets and the remaining amount depreciates over the statutory life of the asset.

Microsoft Dynamics GP is well prepared to handle this available bonus depreciation. In the Fixed Asset module on the Asset Book record is a box specifically designed to handle bonus depreciation. The field is named Special Depreciation Allowance and is turned on with a simple yes/no box. The field then accepts the bonus percentage, in this case 50%. The special allowance adds to the periodic depreciation by taking the % included in the allowance against the cost of the asset.

But what if a company has a large number of assets subject to the special depreciation rules? No problem.

Dynamics GP provides a mass change option to allow companies to select groups of assets to apply the special depreciation percentage to. Dynamics GP's recalculation options let firms apply the special depreciation throughout the year or catch up later in the year. For example, 2009's special depreciation wasn't final until February, and it was retroactive to the beginning of the year. Dynamics GP's recalculation options would allow either a catch-up adjustment in February or a new blended rate for the year from February through December.

Most of the time, special depreciation is only good for one year, unless extended. This means that organizations using the special depreciation allowance in Dynamics GP will need to turn off this feature when the allowance expires. In this scenario, the mass change option will again allow for an easy fix.

In tough times, companies need all the cash flow help they can get. Microsoft Dynamics GP is set up and ready for companies to take advantage of bonus tax depreciation to help boost cash flow.