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## RINA ALERT!

**RINA ALERT!** Is published periodically by RINA Accountancy Corporation and provided free of charge to RINA clients and friends. This and each subsequent issue will contain an individual item of interest to businesses, their owners and those who provide services to them. Topics may come from interest areas that include taxation, human resources, business management, risk management, financial management and succession planning. Occasional ALERT!s will contain information of general interest. Most issues will focus on a single area of concern and will be designed to make you aware of opportunities and observations that may help you manage your financial affairs more safely, efficiently and profitably.

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## California Business Tax Credit Expiring

The California Manufacturer's Investment Credit will end December 31, 2003. It had been scheduled to sunset at that date for some time but most people thought it would be extended again, just as it has been several times before. Unfortunately, due to the budget crisis in California, recent compromises excluded the extension from the original proposal.

In case you are not familiar with it, the credit is equal to 6% of the cost of qualified tangible personal property purchased and used in California in activities such as manufacturing, processing, refining, fabricating, recycling, research and development and pollution control. The credit is also available to qualified taxpayers who engage in the following activities: computer programming, prepackaged software or computer integrated systems design. In some cases, special purpose real property can also qualify for the credit. The credit is a direct offset against California income taxes.

If you are planning any acquisitions in the near future, there may be an incentive to complete them by the end of 2003. Completing the acquisition in a manner that makes it eligible for the Manufacturer's Investment Credit doesn't simply mean ordering it before the end of the year. You must actually take possession and place it in service before December 31, 2003.

Keep in mind that there have also been some very significant recent federal tax benefits passed to encourage investments in many types of depreciable assets. These incentives include improved accelerated depreciation and an increase

legal advice. You should seek appropriate professional advice from your accountant, attorney, investment manager, insurance agent or other advisors. Individual situations can vary so be sure you understand and explain your personal situation to your advisors before acting on any of the information you receive from **RINA ALERT!**

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in the value of new purchases that can be expensed in the year that the assets are placed in service.

Since there are some conflicts between electing the federal benefits and qualifying for this state credit, you should contact your tax advisor to discuss how these might apply in your particular situation.