

Section 179 Deduction and Depreciation

The signed H.R.1, aka, The Tax Cuts and Jobs Act increased the Section 179 deduction from \$500,000 to \$1,000,000 for 2018 and beyond. The limit on equipment purchases has increased from \$2 million to \$2.5 million. Additionally, bonus depreciation increases from 50% to 100% through 2022. Please see FAQ and use the section 179 depreciation estimates for how it may affect your practice.

Who does Section 179 affect?

The provisions of Internal Revenue Code Section 179 allow a sole proprietor, partnership or corporation to fully expense tangible property in the year it is purchased.

How much can I deduct for the 2020 tax year?

If you are the legal owner of the equipment, for tax purposes, you may be able to deduct up to **\$1,040,000** of the value of the equipment you acquire and put in use during 2020. The rules are for small companies and the Section 179 depreciation is phased out when equipment acquired is over \$2,500,000.

What happens to the equipment portion over \$1,040,000?

100% Bonus Depreciation and Standard first year MACRS deduction will apply to the remaining balance through 2022.

Why use the Section 179 Deduction?

Using the Section 179 deduction may **lower** your tax payments and **Free up** Cash for other business needs.

What type of Lease Options are available for Section 179 Deduction?

In order to take Section 179 benefits, the customer should select an Equipment Finance Agreement, \$1 purchase option, or 10% PUT since this product allows the customer to keep depreciation benefits.

Estimated 2020 Tax Benefits:

The 2020 Estimated Tax benefits for equipment with an estimated equipment cost of \$24,249 based on an economic useful life of 5 years.

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|--|---------------|-----------------------------|------------------------------------|
| Financed Amount | \$24,249.00 | | |
| Section 179 Deduction | \$24,249.00 | | |
| 100% Bonus Depreciation | \$0.00 | | |
| MACRS Deduction | \$0.00 | | |
| Total 1st year Deduction | \$24,249.00 | | |
| Tax Bracket | 35.00% | 1st Year Tax Savings | After Tax Cost of Equipment |
| For a Tax Bracket at 35% Your Savings is | | \$8,487.15 | \$15,761.85 |

The information listed above is for informational purposes only and should only be used as a guide. Please contact your Tax/ Financial Advisor to see if how this tax code impacts your organization

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