

# SECTION 179 IS BACK!

# WHAT THIS EXTENSION MEANS FOR YOUR BUSINESS!

Section 179 has extended tax incentives for customers like yours to acquire equipment this year.

These incentives are in the form of greater depreciation and expense allowances.

# **Section 179 Information**

- Capital Lease or \$1.00 Purchase Qualify
- Section 179 has been modified for 2018



# Key Points for you to know:

■ 2018 Deduction Limit: \$1,000,000

■ 2018 Limit on Capital Purchases: \$2,500,000

■ 2018 Bonus Depreciation: 100%

As a result of "Fiscal Cliff / Fiscal Crisis" Bill that was passed; H.R.8: American Taxpayer Relief Act of 2012.

\*The limits listed above are as of 1/1/2018, and are for tax year 2018.

■ IRS Website:

www.irs.gov

keyword search: Section 179

For more information,
Contact your Program Manager today!

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# understanding the section 179 deduction



## Section 179 at a Glance for 2018

#### 2018 Deduction Limit = \$1,000,000

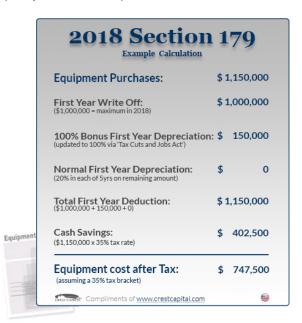
This deduction is good on new and used equipment, as well as off-the-shelf software. To take the deduction for tax year 2018, the equipment **must** be financed/purchased and put into service between January 1, 2018 and the end of the day on December 31, 2018.

#### 2018 Spending Cap on equipment purchases = \$2,500,000

This is the maximum amount that can be spent on equipment before the Section 179 Deduction available to your company begins to be reduced on a dollar for dollar basis. This spending cap makes Section 179 a true "small business tax incentive" (because larger businesses that spend more than \$3.5 million on equipment won't get the deduction.)

### Bonus Depreciation: 100% for 2018

Bonus Depreciation is generally taken after the Section 179 Spending Cap is reached. Please Note> Bonus Depreciation is available for new equipment only; used equipment qualifies for Section 179 Deduction, but does not qualify for Bonus Depreciation



# Essentially, Section 179 works like this:

When your business buys certain items of equipment, it typically gets to write them off a little at a time through depreciation. In other words, if your company spends \$50,000 on a machine, it gets to write off (say) \$10,000 a year for five years (these numbers are only meant to give you an example).

Now, while it's true that this is better than no write-off at all, most business owners would really prefer to write off the **entire equipment purchase price** for the year they buy it.

In fact, if a business could write off the entire amount, they might add more equipment this year instead of waiting over the next few years. That's the whole purpose behind Section 179 - to motivate the American economy (and your business) to move in a positive direction. For most small businesses, the entire cost can be written-off on the 2018 tax return (up to \$1,000,000).

## **Limits of Section 179**

Section 179 does come with limits - there are caps to the total amount written off (\$1,000,000 for 2018), and limits to the total amount of the equipment purchased (\$2,500,000 in 2018). The deduction begins to phase out dollar-for-dollar after \$2,500,000 is spent by a given business, so this makes it a true small and medium-sized business deduction.

## **Who Qualifies for Section 179?**

All businesses that purchase, finance, and/or lease less than \$2,500,000 in new or used business equipment during tax year 2018 should qualify for the Section 179 Deduction.