

IMPORTANT TAX INCENTIVES EXTENDED

SEC. 179 MADE PERMANENT - 50% BONUS DEPRECIATION EXTENDED FOR FIVE YEARS

SECTION 179 "SMALL BUSINESS" EXPENSING

- ✓ Retroactive to 1/1/15, the Sec. 179 expensing allowance is permanently restored to \$500,000 for new and used equipment purchases ordered and placed in service in a given tax year.
- ✓ There is a \$2 million cap on new and used equipment purchases to fully enjoy the \$500,000 write-off (after which the deduction phases out dollar for dollar).

50% BONUS DEPRECIATION

- ✓ 50% bonus depreciation on new equipment purchases is allowed for 2015-2019 tax years. Unlike Sec. 179, it applies only to new equipment, and there is no cap on the amount that can be depreciated under this provision.

Here's how to make the restored provisions work for you and your customers:

Combine 50% Bonus Depreciation with Sec. 179 in tax years 2015 - 2019 for a Big Benefit

Assume a company, Rocket Science (RS) Inc., plans to modernize its facility with \$800,000 in **NEW** equipment in 2016. Under the new law, RS Inc. can **write off \$671,000 or 84%** of the assets in the year of the purchases by combining now-permanent Sec. 179 expensing with 50% bonus depreciation (extended 2015 through 2019) and regular 7-year depreciation.

\$800,000 in **NEW** equipment purchases for tax years 2015-2019:

Sec. 179 Deduction (<i>\$500,000 limit</i>)	= \$500,000
50% Bonus Depreciation (<i>on the \$300,000 remaining basis</i>)	= \$150,000
14% 1 st year Depreciation (<i>on the \$150,000 remaining basis</i>)	= <u>\$ 21,000</u>
TOTAL First-Year Deduction	= \$671,000

Sec. 179 is Permanent for New and Used Equipment

For any combination of new or used equipment purchases, up to \$500,000 of purchases placed in service in a given tax year can be expensed, with a \$2 million phase-out threshold.

Now assume RS Inc. updates its facility with **USED** equipment totaling \$800,000. Under the now-permanent Section 179 limits, RS Inc. can **write off \$542,000 or 68%** of the asset in the first year.

\$800,000 in **USED** equipment purchases for tax years beginning 2015:

Sec. 179 Deduction	= \$500,000
PLUS 14% on remaining basis (\$300K)	= <u>\$ 42,000</u>
TOTAL First-year Deduction	= \$542,000