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TAX CODE SECTION 179 PROVIDES INCENTIVE FOR SMALL BUSINESSES TO REINVEST IN THEMSELVES

INDIANAPOLIS, IN – Standard Change-Makers, Inc., a leading manufacturer of currency change machines, is pleased to provide the following information concerning Section 179 of the United States tax code. All information provided is supplied on the following web site. Please consult your tax adviser for additional information:

<http://www.section179.org>

What is the Section 179 Deduction??

Most people think the Section 179 Deduction is some arcane or complicated tax code. It really isn't, as the following will show you.

Essentially, Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment purchased or financed during the tax year. That means that if you buy (or lease) a piece of qualifying equipment, you can deduct the FULL PURCHASE PRICE from your gross income. It's an incentive created by the US Government to encourage businesses to buy equipment and invest in themselves. It is sometimes referred to as the "SUV Tax Loophole" or the "Hummer Deduction" because many businesses have used this tax code to purchase qualifying vehicles (like SUV's and Hummers.)

Essentially, Section 179 works like this:

When your business buys certain pieces 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 vehicle, 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. That's the whole purpose behind Section 179. See the following graphic for an example of the savings that are available to you.

Who Qualifies for Section 179?

All businesses that purchase or finance less than \$800,000 in business equipment should qualify for the Section 179 Deduction. In addition, most tangible goods qualify for the Section 179 Deduction (see list of qualifying equipment). Also, to qualify for the Section 179 Deduction, the equipment purchased must be placed into service between January 1, 2008 and December 31, 2008.

The deduction begins to phase out if more than \$800,000 of equipment is purchased - in fact, the deduction decreases on a dollar for dollar scale after that, making Section 179 a deduction specifically for small and medium-sized businesses.

Section 179 Example



2008 Equipment Purchases:	\$ 400,000
First Year Write Off: (Under the new law, \$250,000 is the maximum Section 179 write-off in 2008)	\$ 250,000
Bonus First Year Depreciation: (On remaining value: \$400k-\$250k. \$150k x 50% = \$75k)	\$ 75,000
Normal First Year Depreciation: (Depreciation calculated at 5 years, meaning 20% per year. \$75k x 20% = \$15k)	\$ 15,000
Total First Year Deduction: ($\$250k + \$75k + \$15k = \$340k$)	\$ 340,000
Tax Savings: (Assume 35% tax rate. $\$340k \times .35 = \$119k$)	\$ 119,000
Total Equipment Cost: ($\$400k$ less all tax deductions of $\$119k$)	\$ 281,000

Limits of Section 179

Section 179 does come with limits - there are caps to the total amount written off (\$250,000 in 2008), and limits to the total amount of the equipment purchased (\$800,000 in 2008.) The deduction begins to phase out dollar for dollar after 800k, so this makes it a true small and medium-sized business deduction.

However, in 2008, businesses that exceed the \$250k deduction limit can take a bonus depreciation of 50% on the amount that exceeds the limit. And then also take normal depreciation on the rest. Nice.

Section 179 .org

This website was designed to answer your questions regarding the Section 179 Deduction, and to explain the impact the Economic Stimulus Act of 2008 (H.R. 5140) has had on Section 179. The information on this site will clearly explain the Section 179 Deduction in plain terms; will go over what property qualifies under Section 179 for the deduction; and will explore the myriad of ways the Section 179 deduction can impact your bottom line. In addition, there are links to IRS forms, and also tools for you to use, like the free Section 179 Deduction calculator.