

# Tax Advantages

## IRS Section 179 and Bonus Depreciation

The deduction limit for Section 179 is \$1,040,000.

- This means that if you buy (or finance) a piece of equipment, you can deduct the Full Purchase Price (up to \$1,040,000) from your gross income.

The 2020 Section 179 deduction threshold for total amount of equipment that can be purchased is \$2,500,000.

- This means that you can purchase more equipment and still have the benefit of the Section 179 deduction.

### BONUS DEPRECIATION:

#### 100% for 2020 New and Used Equipment Allowed

- Under Modified Accelerated Cost Recovery System (MACRS) Bonus Depreciation has increased first-year depreciation deduction to 100% (vs. 50%) of the adjusted gross basis of qualified property.
- This goes into effect for assets placed in service after September 27, 2017 and before January 1, 2023.
- Another significant change under the new tax law, is you can use bonus depreciation for purchases of new or used property. Under prior law, you could only use bonus depreciation for new property.

*\*Credit & equipment restrictions apply.*

*This program does not assume your company will qualify to take advantage of the IRS Section #179 depreciation schedule which allows rapid first year depreciation of certain assets acquired. The amount of previous depreciation your company may have used may affect your ability to utilize the elections. Please consult your tax advisor or accountant for additional information. Equipment must be purchased and placed in service by 1/1/2023.*



### EXAMPLE:

#### Equipment Cost:

#### First Year Write-Off:

*\$1,040,000 is the max. Section 179 write-off*

#### 100% Bonus Depreciation:

*On any remaining value above \$1,040,000*

#### MACRS 1<sup>st</sup> Yr. Depreciation:

*Depreciation 20% year 1 (assuming 5 year property HY convention)*

#### Total 1<sup>st</sup> Yr. Depreciation:

#### Tax Savings

#### Assuming Rate of 21%:

*Equipment Cost x 21%*

#### 1<sup>st</sup> Yr. Net Cost

#### After Tax Savings:

*Equipment Cost - Tax Savings*

For financing information, please call:

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