



Section 179

ELIGIBLE

Section 179 in Plain English

Buy Now

Build and Grow

Save Big

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Why YOU should think about Section 179?

Acquiring new equipment for your business is an important decision. It is an expense, but also an investment in the growth and future of your company.

Decision makers like yourself need to weigh the cost against the potential benefits. Besides being able to operate more efficiently and fulfill larger demand, a very important benefit of investing in equipment can be significant tax savings.

In a nutshell, Section 179 of the IRS Tax Code allows you to deduct all of the cost of qualifying equipment purchases in the tax year when you make the purchase.

With potential savings reaching tens, or even hundreds, of thousands of dollars, it is important not to overlook this part of the equation. For example, you may wonder if a \$100,000 investment can bring you a good return on investment. But if you take into account a potential tax savings of \$35,000, the effective cost is only \$65,000. Knowing this can make the decision much simpler.

Questions?

On the following pages, learn answers to frequently asked questions.

IMPORTANT: This information is provided to help you consider possibilities. However, for qualified professional advice you should consult with your accountant or tax attorney. They can provide the most up to date information tailored to your situation and location.

How much can I save?

The calculation is simple. The cost of the equipment multiplied by your tax rate equals your savings.

Sample Savings

Wondering what this means for you? The chart here can give you an idea.

Example 1	Kay S. purchases 75,000 in equipment to automate her growing costume design firm. Besides being able to serve more customers, at a tax rate of 13.3 %, Kay's Section 179 savings is \$9,975.00.
Example 2	Josh's film industry clientele is growing. He purchases a drone with a camera, plus a UHD professional camera with specialized editing software. With a total financed purchase of \$150,000 and a tax rate of 21%, Josh saves \$31,500.
Example 3	Harvesting is much more reliable with automated equipment. Will and Anita acquire \$250,000 in new farm technology and with a tax rate of 35%, they save a whopping \$87,500.

How is this different from deductions for business equipment that have always been part of the tax code?

Historically, the IRS allowed businesses to deduct the cost of equipment over a period of several years. In fact, they still do for equipment costs not allowed under Section 179. However, Section 179 allows you to deduct the entire cost in the year when you acquire the equipment.

Are there any limits?

Yes, but this rule is really designed to benefit small and medium-sized businesses.

The deduction applies on up to \$1,000,000.00 worth of qualifying equipment. Of course, you can purchase more equipment if you need to, but if you purchase over \$2,500,000.00 in equipment, every dollar over this threshold reduces the amount you can deduct by a dollar.

For example, if you purchase \$3,000,000.00 in equipment, that is \$500,000.00 more than the maximum of \$2.5 million. So, the \$1 million of qualifying equipment is reduced by \$500,000.00. You can still apply the deduction to the remaining \$500,000.00.

Keep in mind though that any investment in business equipment may qualify for depreciation deductions, regardless of the amount that you spend.

Do I have to pay up front for the equipment to get the tax benefits?

No! This is the really great part. You can purchase the equipment, finance it or lease it. Here is an example:

Don C. needed \$120,000 in camera, lighting and editing equipment. He successfully arranged to lease it all for \$1250 per month, starting in July. This means that by the end of the year, Don will have only paid \$7500 for the equipment, but he can deduct the entire \$120,000, as long as he earns at least this much.

Does the equipment have to be new? Does software qualify?

Used equipment and software both qualify as Section 179 investments. This is a general

Are there certain restrictions about the type of equipment that qualifies?

Although most equipment qualifies, remember to consult your tax advisor before making any final decisions. Here is a general list of qualifying equipment:

- > Any equipment or machines purchased for business use
- > Tangible personal property purchased for business use
- > Vehicles with a gross weight of more than 6,000 pounds, purchased for business use
- > Computer software and hardware
- > Office furniture and equipment
- > Larger installations in your business that are not integral to the structure of your business, such as a printing press or robotic assembly line
- > Specific building improvements, including HVAC, security and alarm systems, fire suppression systems, and roofing.

In general, any property that you buy for your business that is tangible and depreciable can qualify. Land and buildings, since they do not depreciate, do not qualify.

For additional information, [refer to additional guidance at IRS.gov.](#)

How do I get the deduction?

To get the deduction, you must file [IRS Form 4562, available here](#).

When should I make my purchase in order to get the benefits of Section 179?

Tax rules can change, so if the rule seems advantageous to you now, you should consider moving forward with your purchase.

Keep in mind that:

- > The equipment must be acquired this year in order to deduct the cost from this year's taxes.
- > The equipment must also actually be in service in your business this year. Buying it at the end of the year and taking delivery of it at the start of next year won't count if you want to deduct it this year.

Have more questions?

A good way to start is to get a quote for the equipment you need, as well as financing options. Then, you can take this information to your tax professional for further discussion.

There's never been a better time to grow your business with a capital investment that makes sense for you!