100% Depreciation on Equipment in 2013 !!!

Learn About Your Available Tax Savings With IRS Section 179

Want to lower the true cost of ownership on your business equipment? Here's how:

Business Equipment

Business owners who acquire **new or used** equipment and software for their business usually prefer to expense the cost in a single tax year, rather than depreciate a little at a time over a number of years. This deduction is known by its section in the tax code, a Section 179 deduction. **Under Section 179, businesses that spend less than $2,000,000 a year on qualified equipment, can accelerate depreciation expense up to $500,000 in 2013.** The rules are designed for smaller companies, so the $500,000 deduction phases out dollar for dollar when a business purchases more than $2,000,000 in equipment and software in one year. (i.e., If a company purchases $2,100,000 in qualified equipment in 2013, they can only accelerate depreciation expense up to $400,000.) 50% bonus depreciation is also available for **new** equipment purchases for those amounts not covered by Section 179.

Benefits of a Non-Tax/Capital Lease

Non-Tax/Capital Leases can take advantage of Section 179, expensing up to $500,000 for equipment put in use in 2013. In addition, you may depreciate any excess on the depreciation schedule for that asset or utilize the 50% bonus depreciation for 2013. Examples of Non-Tax/Capital Leases include a $1.00 Buyout Lease, an Equipment Finance Agreement (EFA), and a 10% Purchase Upon Termination (PUT) Lease. **Example Calculation:** Assume you finance $600,000 worth of business equipment, put it in use in 2013, and take advantage of Section 179. Your **tax savings** could be significant:

Equipment Cost Example:	$600,000
2013 Accelerated Depreciation: ($500,000 is the maximum Section 179 write-off)	**$ 500,000**
2013 50% Bonus Depreciation: ($600,000-$500,000 = $100,000 x 50% = $50,000)	**$ 50,000**
2013 Accelerated Depreciation Expense: ($500,000 + $50,000 = $550,000)	**$ 550,000**
2013 Tax Savings Assuming Rate of 35%: ($550,000 x .35 = $192,500)	**$ 192,500**
2013 Savings / Lowered Equipment Cost: ($600,000 - $192,500 = $407,500)	**$ 407,500**

Note:

For complete details, or changes to the tax incentives, please visit www.irs.gov or contact the IRS helpline at: **800-829-4933**

The example shows how taking advantage of Section 179 can significantly lower the true cost of equipment ownership from

$600,000 to **$407,500**

For the specific impact to your company, please contact your tax advisor.

Non-Tax/Capital Lease – Continued

Tax Code Section 179 & Election to Expense Detail

The election, which is made on Form 4562, is for the tax year the property was placed in service or an amended return filed within the time prescribed by law. Section 179 property is property that you acquire by purchase for use in the active conduct of your business. To ensure property qualifies, reference Publication 946.

This expense deduction is provided for taxpayers (other than estates, trusts or certain non-corporate lessors) who elect to treat the cost of qualifying property as an expense rather than a capital expenditure. Under Section 179, equipment purchases, up to the amount approved for a given year, can be expensed (deducted from taxable income) if installed by December 31st. Non-Tax leases qualify for this deduction in their year of inception. Any excess above the expensed amount can be depreciated depending on the equipment type. Not all states follow federal law. Contact your tax advisor for further detail or visit www.irs.gov for specific detail.

Tax/True Lease Benefits

If a lease is a **Tax Lease/True Lease,** the lessor retains ownership and you, as the lessee, may be allowed to claim the entire amount of the monthly investment as a tax deduction. Many rental contracts qualify as a true lease including a 10% Option and a Fair Market Value Lease.
Example Calculation: Assume that you have a Tax/True Lease with a $1,000 monthly payment – check out the tax savings that may be available:

Example:

Monthly investment = $ 1,000
Finance Term = 36 months
Tax bracket = 35%
Monthly tax savings = $1,000 x .35 = $350
Total tax savings over the term of the contract = $12,600

Further Detail

Reminder: In order to take advantage of the 2013 tax incentives, your business equipment must be put in use by year-end. Each company should contact their tax advisor to learn about the specific impact to your business.

Interested in learning more? We'll provide you with a free consultation and extend finance solutions so you can acquire the business equipment you need. Contact us today.

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