

EQUIPMENT LEASING AND THE 2017 SECTION 179 DEDUCTION



Leasing & Section 179 Overview

Did you know that your company can lease equipment and still take full advantage of the Section 179 deduction? In fact, Leasing equipment and/or software with Section 179 deduction is a preferred financial strategy for many businesses, as it can significantly help with not only cash flow, but with profits as well.

Who Qualifies for Section 179?

All businesses that purchase, finance, and/or lease less than \$2,000,000 in new or used business equipment during tax year 2017 should qualify for the Section 179 Deduction.

What is the Section 179 Deduction?

Most people think the Section 179 Deduction is some mysterious or complicated tax code. It really isn't, as you will see in the illustration below. Essentially, Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software 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 U.S. government to encourage businesses to buy equipment and invest in themselves.

Section 179 At-a-Glance for 2017

2017 Deduction Limit = \$500,000

This deduction is good on new and used equipment, as well as off-the-shelf software. This limit is only good for 2017, and the equipment must be leased or purchased and put into service by the end of the day, 12/31/2017.

2017 Spending Cap on Equipment Purchases = \$2,000,000

This is the maximum amount that can be spent on equipment before the Section 179 Deduction available to your company begins to be reduced on a dollar for dollar basis. This spending cap makes Section 179 a true "small business tax incentive".

Bonus Depreciation 50% for 2017

Will be extended through 2019. Businesses of all sizes will be able to depreciate 50% of the cost of equipment acquired and put in service during 2015, 2016 & 2017. Then bonus depreciation will phase down to 40% in 2018 and 30% in 2019.

The above is an overall, "simplified" view of the Section 179 Deduction for 2017.

EXAMPLE ILLUSTRATION

| | |
|---|---------------------|
| Section 179 Deduction | \$50,000 |
| Bonus Depreciation Deduction (updated to 50% via PATH Act of 2015) | \$0 |
| Normal 1st Year Depreciation | \$0 |
| Total 1st Year Deduction | \$50,000 |
| 2017 Tax Savings Benefit (assuming a 35% tax bracket) | \$17,500 |
| Cost of Equipment | \$50,000 |
| Lowered Cost of Equipment (after Tax Savings) | \$32,500 |



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