

IRS Section 179 Tax Benefit 2009



Benefits of a Non-Tax/Capital Lease

Business owners who buy capital equipment - fitness, machinery, computers, and other tangible goods, usually prefer to deduct the cost in a single tax year, rather than a little at a time over a number of years. The benefit of Non-Tax/Capital Leases is that they can take advantage of IRS Section 179 and expense up to the amount allowed for the year the equipment is installed. You may depreciate any excess on the depreciation schedule for that particular asset. Examples of this type of lease include \$1.00 Buyout and 10% Purchase Upon Termination (PUT) leases. Since tax situations differ, please consult a tax advisor about the specific benefits on your business.

Tax Code 179 Deduction

Cost of Equipment:	\$300,000.00
Section 179 Deduction:	\$250,000.00
50% Bonus Depreciation	\$ 25,000.00
Regular First Year Depreciation Deduction:	\$ 5,000.00
Total First Year Deduction:	\$280,000.00
Cash Savings on your Equipment Purchase: (Assuming a 35% Tax Bracket)	\$ 98,000.00
Cost of New Equipment after Tax Savings	\$202,000.00

IRS Section 179 & Election to Expense

An expense deduction is provided for taxpayers (other than estates, trusts or certain non-corporate lessors) who elect to treat the cost of qualifying property, called Section 179 property, as an expense rather than a capital expenditure. Under IRS 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 the year of inception. Any excess above the expensed amount can be depreciated depending on the equipment. 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. The total cost of property that may be expensed for any tax year cannot exceed the total amount of taxable income during the tax year. 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.

Under Section 179, businesses that spend less than \$800,000 a year on equipment or property can write off up to \$250,000 in 2008. Dollar amounts may increase, being adjusted for inflation. The rules are designed for small businesses so the \$250,000 deduction begins to phase out companies that purchase more than \$800,000 in a year. Companies cannot write off more than their taxable income. For greater details, contact your tax advisor or visit www.irs.gov and reference Form 4562.

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