



# Let the Government Help Buy Your Equipment!



## IRS Section 179 - Tax Savings

Under IRS Section 179, equipment purchases of up to \$125,000\* can be expensed (deducted from taxable income) in the first year eligible property is placed in service in a trade or business. Finance leases qualify for this deduction in their year of inception. The 2003 law quadrupled the amount of qualified property that can be expensed under IRS Section 179 to \$125,000 (indexed for inflation) for tax year 2008. Qualifying property now also includes off-the-shelf computer software.

Any purchase in excess of \$400,000\* (indexed for inflation) reduces the \$125,000\* Section 179 limit (dollar amounts are indexed for inflation). For example, if you purchase \$410,000 in qualifying property, the Section 179 deduction is limited to \$90,000. The total cost of property that may be expensed for any tax year cannot exceed the total amount of taxable income (determined after application of the investment limitation) derived from the active conduct of any trade or business during the tax year. Costs disallowed under this rule may be carried forward an unlimited number of years subject to the ceiling amount for each year.

The maximum amount of asset cost that can be expensed by year is: \$125,000\* for 2008. For example, if you purchase or lease a piece of equipment for \$45,000 and install it in 2008, you are eligible to take a \$45,000 tax deduction in the respective year.

Please note: Contact your tax advisor for specific information regarding IRS Section 179 and all accounting procedures.

\*Dollar amounts for 2008 will be indexed for inflation

## Consider the following examples:

	Bodies	Transfer Set	Complete Transfer
<b>Acquisition cost of qualifying property</b>	\$40,000	\$70,000	\$200,000
<b>1st Year Write-off: Maximum Tax Code 179 *</b>	\$125,000	\$125,000	\$125,000
<b>Acquisition cost of qualifying property Less 179 Deduction *</b>	\$40,000	\$70,000	\$200,000
<b>Less Normal 1st Year Depreciation **</b>	\$0	\$0	\$18,400
<b>Total Deduction 1st Year</b>	\$40,000	\$70,000	\$143,400
<b>Marginal Tax Rate (Married File Joint) 63,700 - 125,500 25% tax rate</b>	25%	25%	25%
<b>Your Tax Savings</b>	\$10,000	\$17,500	\$35,850

\* Section 179 deductions for 2008 will be indexed for inflation

\*\* 20% depreciation based on a 5-year asset life

Please consult your tax advisor regarding IRS Section 179 and all accounting procedures.