

Potential Tax Savings For Your Business

If you have a business, or sell to businesses, under *Internal Revenue Code Section 179*, you can potentially deduct the cost of up to **\$125,000** of tangible personal property (including software) you place in service during the year.

Section 179 Deduction

Under Internal Revenue Code Section 179, equipment acquisitions can be expensed (deducted from taxable income (if placed in service by December 31, 2009. Under the new tax law, the amount of investment in equipment may be immediate deducted for tax year 2009 is \$125,000.

Property eligible for Section 179 Deduction:

- Tangible property depreciated under MACRS with recovery period of 20 years or less.
- Off-the-shelf computer software (depreciated under Section 167(f)(1)).

The equipment must be acquired for use in active conduct of a trade or business. If capital acquisitions are greater than \$400,000 then the deduction is reduced by the amount over \$400,000.

Example:

Cost of equipment financed	\$150,000	¹ 20% Depreciation based on a five-year asset life [\$150,000 - \$125,000 (Section 179 write-off)] x 20% yearly depreciation
1 st year write offs		
Section 179	\$125,000	² Tax savings are assuming a 35% tax bracket
Normal 1 st year depreciation ¹	\$5,000	
Total deduction in 1 st year	\$130,000	
Marginal tax rate assumed 35% ²	\$45,500	
Bottom line equipment cost after tax savings	\$104,500	

We encourage you to see the advice of an experienced tax professional to determine if this deduction is applicable to your specific situation. This is only an example.