



# SECTION 179 IS BACK!

## WHAT THIS EXTENSION MEANS FOR YOUR BUSINESS!

**Section 179 has extended tax incentives for customers like yours to acquire equipment this year. These incentives are in the form of greater depreciation and expense allowances.**

### Section 179 Information

- **Capital Lease or \$1.00 Purchase Qualify**
- **Section 179 has been modified for 2018**



### Key Points for you to know:

- 2018 Deduction Limit: \$1,000,000
- 2018 Limit on Capital Purchases: \$2,500,000
- 2018 Bonus Depreciation: 100%
- As a result of "Fiscal Cliff / Fiscal Crisis" Bill that was passed; H.R.8: American Taxpayer Relief Act of 2012.

\*The limits listed above are as of 1/1/2018, and are for tax year 2018.

- IRS Website:  
[www.irs.gov](http://www.irs.gov)  
keyword search: Section 179

**For more information,  
Contact your Program Manager today!**

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# understanding the section 179 deduction



## Section 179 at a Glance for 2018

### 2018 Deduction Limit = \$1,000,000

This deduction is good on new and used equipment, as well as off-the-shelf software. To take the deduction for tax year 2018, the equipment **must** be financed/purchased and put into service between January 1, 2018 and the end of the day on December 31, 2018.

### 2018 Spending Cap on equipment purchases = \$2,500,000

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" (because larger businesses that spend more than \$3.5 million on equipment won't get the deduction.)

### Bonus Depreciation: 100% for 2018

Bonus Depreciation is generally taken after the Section 179 Spending Cap is reached. Please Note> Bonus Depreciation is available for new equipment only; used equipment qualifies for Section 179 Deduction, but does not qualify for Bonus Depreciation

| 2018 Section 179  |              |
|---|--------------|
| Example Calculation   |              |
| Equipment Purchases:  | \$ 1,150,000 |
| First Year Write Off:<br><small>(\$1,000,000 = maximum in 2018)</small>                             | \$ 1,000,000 |
| 100% Bonus First Year Depreciation:<br><small>(updated to 100% via 'Tax Cuts and Jobs Act')</small> | \$ 150,000   |
| Normal First Year Depreciation:<br><small>(20% in each of 5yrs on remaining amount)</small>         | \$ 0         |
| Total First Year Deduction:<br><small>(\$1,000,000 + 150,000 + 0)</small>                           | \$ 1,150,000 |
| Cash Savings:<br><small>(\$1,150,000 x 35% tax rate)</small>  | \$ 402,500   |
| Equipment cost after Tax:<br><small>(assuming a 35% tax bracket)</small>                            | \$ 747,500   |

Equipment

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The above is an overall, "simplified" view of the Section 179 Deduction for 2018

## Essentially, Section 179 works like this:

When your business buys certain items of equipment, it typically gets to write them off a little at a time through depreciation. In other words, if your company spends \$50,000 on a machine, it gets to write off (say) \$10,000 a year for five years (these numbers are only meant to give you an example).

Now, while it's true that this is better than no write-off at all, most business owners would really prefer to write off the **entire equipment purchase price** *for the year they buy it*.

In fact, if a business could write off the entire amount, they might add more equipment this year instead of waiting over the next few years. That's the whole purpose behind Section 179 - to motivate the American economy (and your business) to move in a positive direction. For most small businesses, the entire cost can be written-off on the 2018 tax return (up to \$1,000,000).

## Limits of Section 179

Section 179 does come with limits - there are caps to the total amount written off (\$1,000,000 for 2018), and limits to the total amount of the equipment purchased (\$2,500,000 in 2018). The deduction begins to phase out dollar-for-dollar after \$2,500,000 is spent by a given business, so this makes it a true small and medium-sized business deduction.

## Who Qualifies for Section 179?

All businesses that purchase, finance, and/or lease less than \$2,500,000 in new or used business equipment during tax year 2018 should qualify for the Section 179 Deduction.