

# Stop Wasting. Start Saving.

Create your own tax break in 2016!



**It's called Section 179  
and it's here to save your  
business money.**

Businesses can buy, finance or lease up to \$500,000 in equipment and deduct its cost in 2016. Businesses can also take advantage of the 50% bonus depreciation.

What does this mean for you?  
**See reverse for details.**



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AFP offers something relatively unheard of to business owners...

# TAX SAVINGS

## What is the Section 179 deduction?

Business owners who acquire qualified property usually prefer a substantial deduction in a single tax year rather than a little at a time over a number of years. This type of accelerated deduction is simply known by its section in the tax code: Section 179.

Section 179 of the IRS Tax Code allows a small business to deduct, for the current tax year, the full purchase price of financed or leased equipment that qualifies for the deduction. The purchased or leased equipment must be within the specified dollar limits of Section 179, and be placed into service in the same tax year that the deduction is being taken.

The Protecting Americans from Tax Hikes Act of 2015 increased the Section 179 cap to a permanent level of \$500,000. Businesses exceeding a total of \$2 million of purchases in qualifying equipment will have the Section 179 deduction phase out dollar-for-dollar and completely eliminated above \$2.5 million. Additionally, the Section 179 cap will be indexed to inflation in \$10,000 increments in future years.

Section 179 applies to new and used equipment. Any non-tax lease such as a \$1.00 Buyout Lease or an Equipment Finance Agreement will qualify for Section 179 benefits. Not all states follow federal law, so we recommend contacting your tax advisor or visiting [www.irs.gov](http://www.irs.gov) for specific details.

## What is considered 'Qualified Property'?

Section 179 was designed with businesses in mind. That's why almost all types of 'business equipment' qualify for the Section 179 deduction. Examples of material goods that generally qualify for the Section 179 deduction include:

- Equipment (machines, etc.) purchased for business use
- Tangible personal property used in business
- Business vehicles with a gross vehicle weight in excess of 6,000 lbs
- Computers / computer software (off the shelf)
- Office furniture / office equipment
- Property attached to your building that is not a structural component of the building (i.e. a printing press, large manufacturing tools and equipment)
- Partial business use (equipment that is purchased for business use and personal use. Generally, your deduction will be based on the percentage of time you use the equipment for business purposes.)

*Consult your tax advisor to see how your equipment purchases will affect your tax situation. American Financial Partners does not give tax advice, and the information contained here should not be relied upon for any tax preparation.*

## Bonus Depreciation

Businesses can apply a bonus depreciation to any equipment bought during and delivered in a fiscal year. The current bill allows the 50% depreciation for years 2015, 2016 and 2017 with 2018 and 2019 phasing down to 40% and 30% respectively.

## An example...

Let's say the cost of your new equipment is \$50,000. Here's how you'll save:

<b>First Year Write Off Section 179</b> ((\$500,000 is the maximum write off in 2016))	<b>\$50,000</b>
<b>50% Bonus Depreciation</b> (After Section 179 deduction)	<b>\$0</b>
<b>Total Deduction in 1st Year</b>	<b>\$50,000</b>
<b>Marginal Tax Rate Assumed 35%</b>	<b>\$17,500</b>
<b>Bottom Line Equipment Cost After Tax Savings</b>	<b>\$32,500</b>
<b>Total Savings</b>	<b>\$17,500</b>

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